



The revenue recognized in the year ended March 31, 2010 as Personal Income Tax (PIT) and Corporate Income Tax (CIT) and included in the 2009-10 Public Accounts has been restated. To see the restated revenue figures for the 2009-10 fiscal year the 2010-11 Public Accounts should be referenced, the 2009-10 financial statements have been restated to reflect the corrections and Note 2 summarizes the impact of the restatements.



PUBLIC ACCOUNTS

VOLUME 1

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED MARCH 31, 2010

THE HONOURABLE GRAHAM STEELE
MINISTER OF FINANCE



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Volume 1—Financial Statements
for the fiscal year ended March 31, 2010



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Message from the Minister

I am pleased to present the Public Accounts for the fiscal year 2009-10.

The public accounts for the year ended March 31, 2010 reported a deficit of \$241.9 million.

Total revenues were \$9.3 billion, \$73.9 million higher than 2008-09. This is primarily a result of increased revenues from taxes. The increase was driven by stronger growth in salaries and wages as the labour market conditions improved following the global recession.

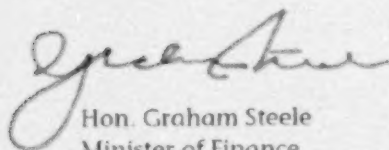
Our total expenses for this fiscal year were \$9.5 billion, \$341.8 million more than last year. This is mainly the result of higher costs in Health, Health Promotion and Protection and new programs from Labour and Workforce Development.

As of March 31, 2010, the net direct debt was \$13.0 billion, \$700.3 million higher than last year. The increase is a result of the deficit and a large net investment in tangible capital assets.

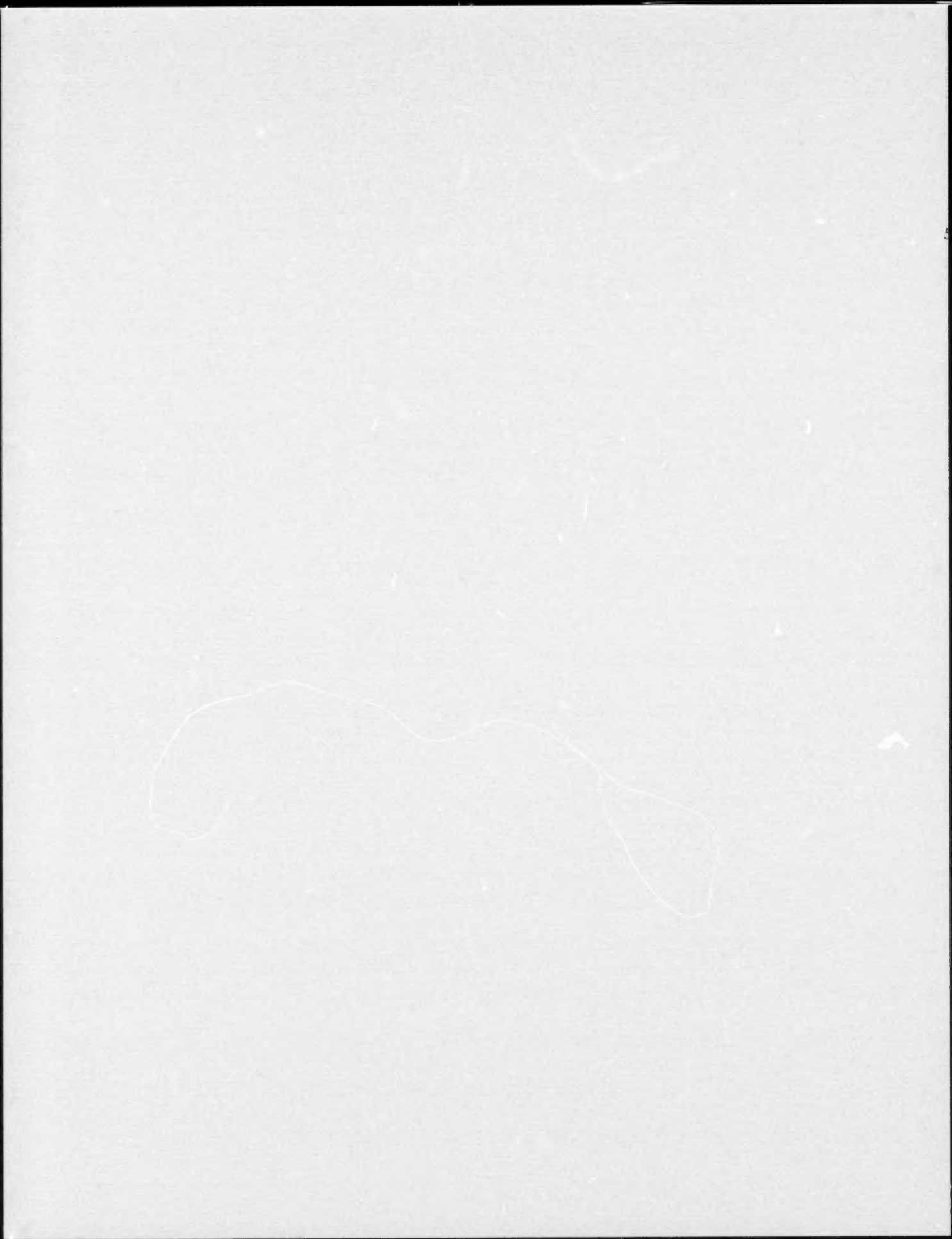
Net direct debt as a percentage of Gross Domestic Product has increased 2 percentage points, from 36 per cent to 38 per cent.

The March 31, 2010 financial statements are in accordance with generally accepted accounting principles, and have received an unqualified audit opinion from the Auditor General.

I look forward to reporting a stronger and healthier financial report in the years to come, as we move toward a more sustainable financial path for Nova Scotia.



Hon. Graham Steele
Minister of Finance



Introduction

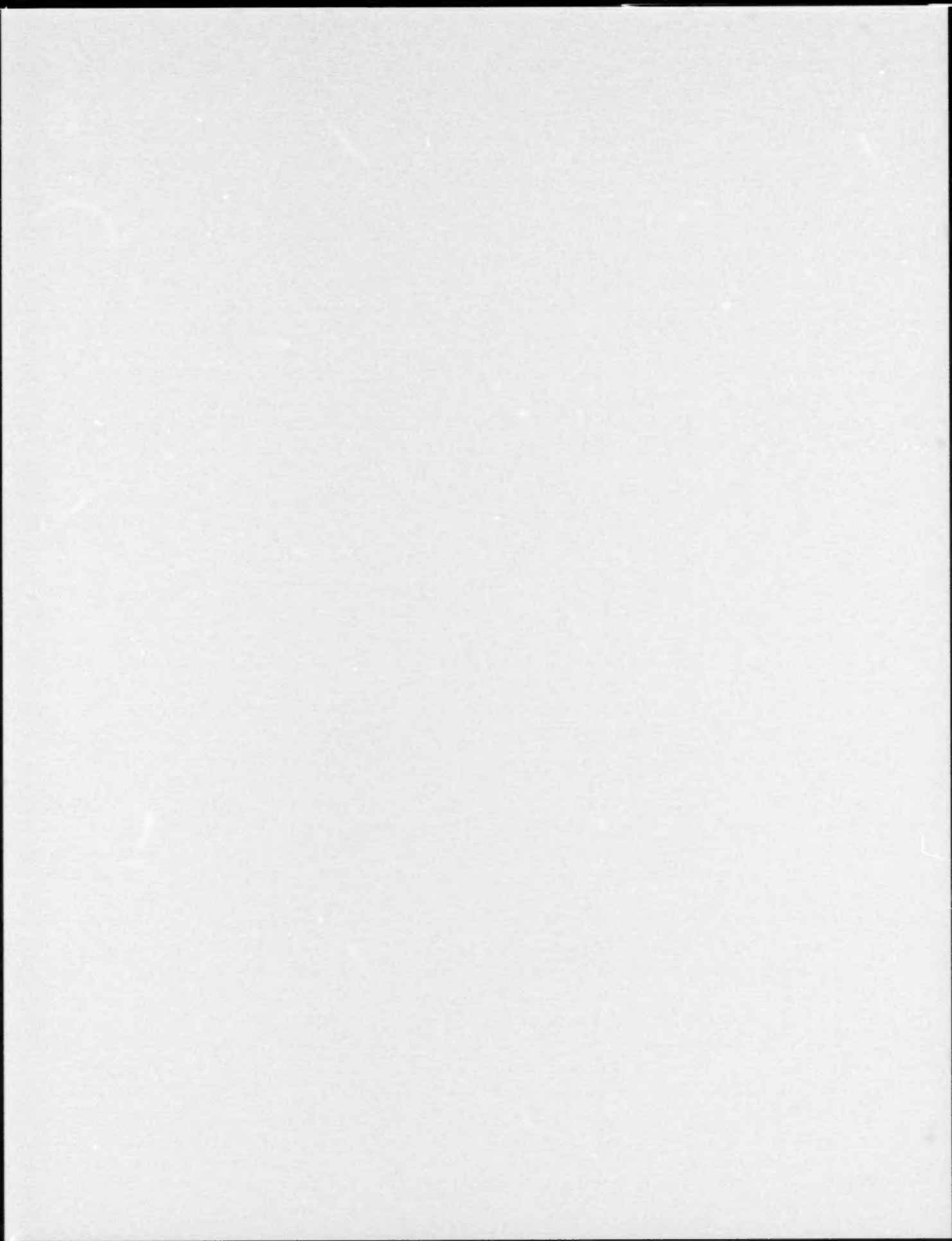
In accordance with the *Provincial Finance Act*, the Minister of Finance for the Province of Nova Scotia produces Public Accounts annually to report on the operating results and financial condition of the province. Volume 1 includes general purpose financial statements, meant to meet the needs of a variety of users. They are prepared on a consolidated basis, meaning that they include the financial information for the departments of government as well as Crown corporations, boards and other entities owned or controlled by the government.

These financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP) for the public sector. For purposes of the province's financial statements, this means the accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA and International Federation of Accountants accounting standards or pronouncements.

The 2010 Public Accounts *Volume 1 - Financial Statements* commences with the Financial Statement Discussion and Analysis (FSD&A) section. The FSD&A is a reporting practice recommended by PSAB and responsibility for its preparation rests with the government. This section presents comparative Financial Highlights of the Consolidated Financial Statements including all the entities owned or controlled by the government, as well as financial highlights for the Consolidated Fund on its own. The FSD&A also includes an overview and highlights of provincial debt and the Nova Scotia economy. Responsibility for the integrity, objectivity and fair presentation of the FSD&A information rests with the government. The FSD&A is prepared on behalf of the Minister and Deputy Minister of Finance by the Controller in accordance with PSAB guidance.

The Consolidated Fund is the level at which the annual estimates are prepared in detail for approval by the government. Therefore, the selected highlights of the Consolidated Fund include more detailed information and budget-to-actual analysis on revenues, expenses, tangible capital assets, and additional appropriations. The Consolidated Fund is comprised of all departments and public service units of the Nova Scotia provincial government, but excludes other governmental units and government business enterprises owned or controlled by the province.

There are two additional publications in the Public Accounts suite of annual financial reports. *Volume 2 - Agencies and Funds* is a collection of financial statements of various agencies, boards, governmental units, government business enterprises, and trust funds. *Volume 3 - Supplementary Information* is produced in accordance with the *Provincial Finance Act* as a record of the payments made by the Consolidated Fund in the fiscal year for salaries, travel, grants, and expenses.



Financial Statement Discussion and Analysis

Financial Highlights of the Consolidated Financial Statements

These financial highlights are based on information from the Consolidated Financial Statements for 2010, as presented on pages 53-100 of this publication.

Consolidated Statement of Operations and Accumulated Deficits

The main purpose of the Consolidated Statement of Operations and Accumulated Deficits is to report the province's revenues and expenses for the year ended March 31, 2010 and the comparative fiscal year. Under generally accepted accounting principles (GAAP), a year-end surplus reduces accumulated deficits.

Provincial Surplus (Deficit)

The provincial surplus (deficit) is the net financial result of the year's operations. In 2010, as shown below, total revenues were \$9.3 billion and total expenses were \$9.5 billion. The resulting provincial deficit was \$241.9 million, which was a decline of \$267.9 million from the results of the year before and \$350.2 million lower than the budgeted deficit of \$592.1 million. Surplus per capita decreased by \$286 from a \$28 surplus to a \$258 deficit. On a per capita basis, the province earned \$68 more revenue but spent \$354 more per person in the year.

Provincial Surplus (Deficit) (\$ thousands)

	Estimate 2010	Actual 2010	Actual 2009 (as restated)	Actual vs Estimate	Actual vs Actual
Total Revenue	9,071,269	9,269,665	9,195,741	198,396	73,924
Less: Total Expenses	9,663,362	9,511,589	9,169,768	(151,773)	341,821
Provincial Surplus (Deficit)	(592,093)	(241,924)	25,973	350,169	(267,897)
Per Capita \$					
Total Revenue	9,671	9,882	9,814	211	68
Less: Total Expenses	10,302	10,140	9,786	(162)	354
Surplus (Deficit) per Capita	(631)	(258)	28	373	(286)
Population (000's)	938	938	937		



Revenue

Total Revenue for the year was \$198.4 million higher than the estimate and \$73.9 million higher than the previous year. Change in revenue from taxes and federal contributions are attributable to the Consolidated Fund specifically. The remaining balance is earned from a variety of sources and controlled entities. More detailed information on Consolidated Fund revenue changes are provided in the analysis commencing on page 25 of this publication.

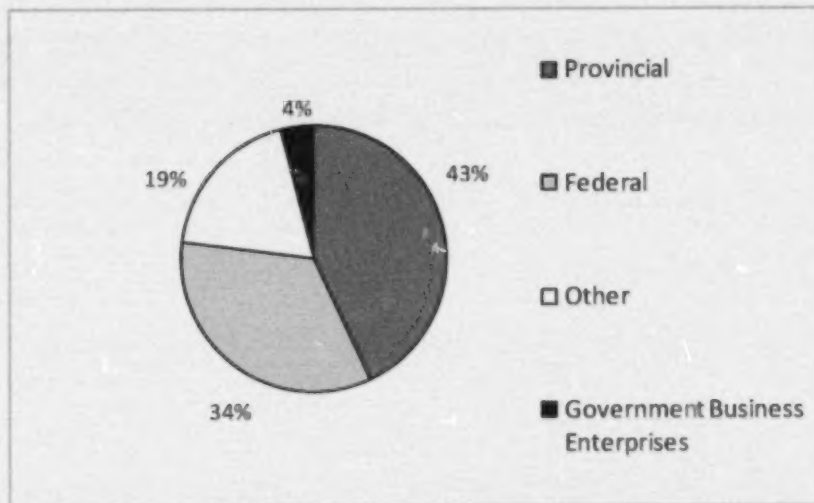
Revenue

(\$ thousands)

	Estimate 2010	Actual 2010	Actual 2009 (as restated)	Actual vs Estimate	Actual vs Actual
Income Taxes	2,103,382	2,210,468	2,170,891	107,086	39,577
Sales Taxes	1,613,852	1,650,411	1,580,929	36,559	69,482
Federal Equalization	1,464,935	1,464,935	1,464,935	—	—
Other Federal Contributions	1,820,323	1,713,602	1,499,146	(106,721)	214,456
Petroleum Royalties	151,011	125,634	451,795	(25,377)	(326,161)
Other	1,560,969	1,745,884	1,668,465	184,915	77,419
Total Revenue from Governmental Units	8,714,472	8,910,934	8,836,161	196,462	74,773
Net Income from Government Business Enterprises	356,797	358,731	359,580	1,934	(849)
Total Revenue	9,071,269	9,269,665	9,195,741	198,396	73,924

	Percentage of Total		Revenue per Capita (\$)	
	Actual 2010	Actual 2009 (as restated)	Actual 2010	Actual 2009 (as restated)
Income Taxes	24%	24%	2,357	2,317
Sales Taxes	18%	17%	1,759	1,687
Federal Equalization	16%	16%	1,562	1,563
Other Federal Contributions	18%	16%	1,827	1,600
Petroleum Royalties	1%	5%	134	482
Other	19%	18%	1,861	1,781
Total Revenue from Governmental Units	96%	96%	9,500	9,430
Net Income from Government Business Enterprises	4%	4%	382	384
Total Revenue	100%	100%	9,882	9,814
Population (000's)			938	937

Revenue by Source 2010



Government Business Enterprises

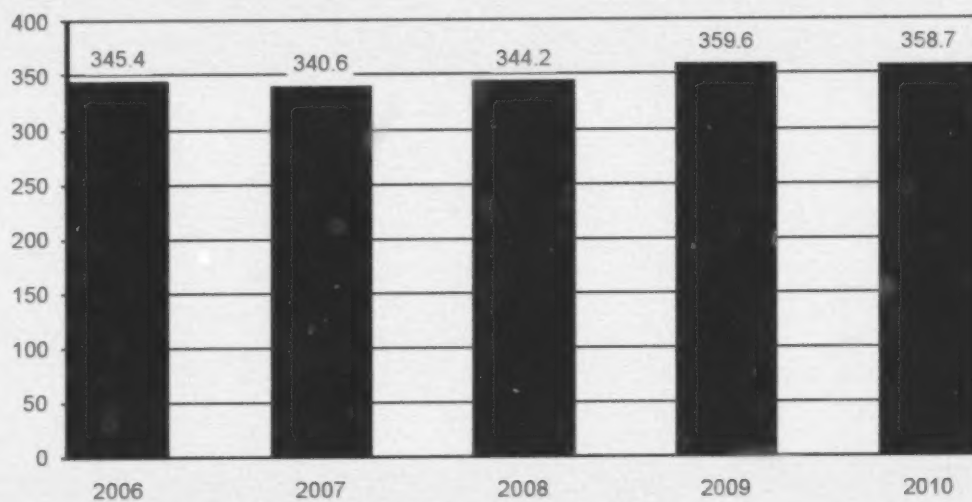
Net income from government business enterprises remained relatively consistent for fiscal years 2006 to 2010, as shown on the following page. In the past two years, their combined net income has increased primarily due to increased net income of the Nova Scotia Liquor Corporation.

During the same five year period, the province's financial position for these entities has continually improved from a net investment of \$4.9 million to a net investment of \$52.7 million. Net equity for the Halifax-Dartmouth Bridge Commission increased \$29.0 million and net equity of Highway 104 Corporation increased \$18.8 million.

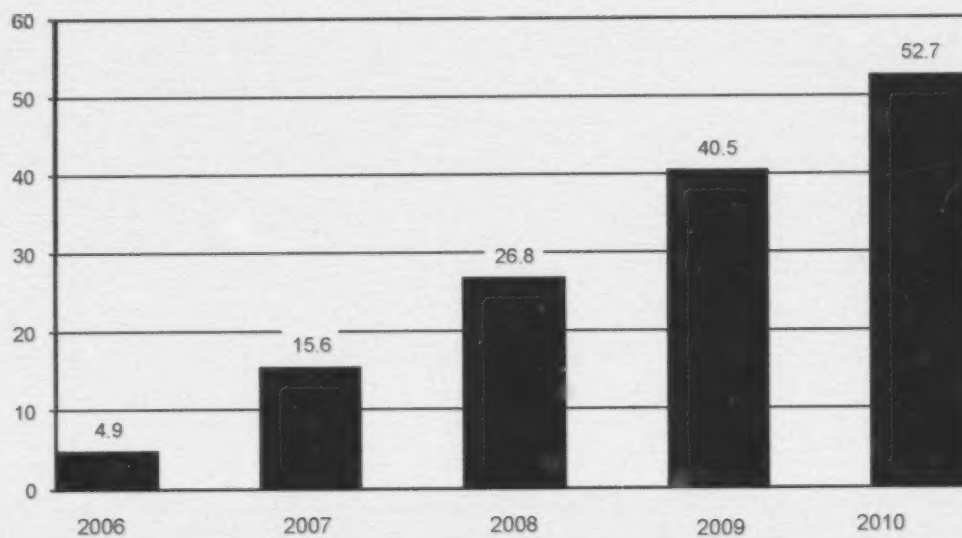
More detailed information about government business enterprises is provided in Schedule 6 on page 74 of this publication.



**Net Income from GBEs
2006 to 2010 (\$ millions)**



**Investment in GBEs
2006 to 2010 (\$ millions)**



Expenses

The sources of expenses have remained consistent with the prior year, with the health and education sectors making up 60 per cent of total expenses (61 per cent in 2009). Expenses have increased \$341.8 million over the 2009 fiscal year. Health and Health Promotion account for 41 percent or \$141.0 million of the increase. Service Nova Scotia and Municipal Relations increased \$33.9 million and Community Services increased \$35.1 million. Within Other Expenses, Labour and Workforce Development increased \$69.8 million, and the new Chief Information Office (CIO) added \$17.1 million to the Public Service units expenses. In prior years, expenses of the CIO components were included in several departments of the Consolidated Fund.

Expenses

(\$ thousands)

	Estimate 2010	Actual 2010	Actual 2009 (as restated)	Actual vs Estimate	Actual vs Actual
Health and Health Promotion	3,583,243	3,600,857	3,459,852	17,614	141,005
Education and Universities	2,069,886	2,104,542	2,116,164	34,656	(11,622)
Service Nova Scotia and Municipal Relations	301,869	278,499	244,591	(23,370)	33,908
Community Services	1,020,009	941,186	906,088	(78,823)	35,098
Transportation and Infrastructure Renewal	375,323	378,834	381,475	3,511	(2,641)
Justice	281,523	276,187	261,779	(5,336)	14,408
Debt Servicing Costs	889,076	880,147	887,490	(8,929)	(7,343)
Pension Valuation Adjustments	88,990	86,410	85,066	(2,580)	1,344
Other Expenses	1,053,443	964,927	827,263	(88,516)	137,664
Total Expenses	9,663,362	9,511,589	9,169,768	(151,773)	341,821

	Percentage of Total		Expenses per Capita (\$)	
	Actual 2010	Actual 2009 (as restated)	Actual 2010	Actual 2009
Health and Health Promotion	38%	38%	3,839	3,693
Education and Universities	22%	23%	2,244	2,258
Service Nova Scotia and Municipal Relations	3%	2%	297	261
Community Services	10%	10%	1,003	967
Transportation and Infrastructure Renewal	4%	4%	404	407
Justice	3%	3%	294	279
Debt Servicing Costs	9%	10%	938	947
Pension Valuation Adjustments	1%	1%	92	91
Other Expenses	10%	9%	1,029	883
Total Expenses	100%	100%	10,140	9,786
Population (000's)			938	937



Presentation of Estimates

The original Estimates reflect the consolidated budgetary plan in a format that facilitates departmental management of revenue and expense transactions of the Consolidated Fund, as well as the debate and appropriations process thereon in the House of Assembly.

In order to present comparative Estimates on the Consolidated Statement of Operations and Accumulated Deficits, as well as in the preceding pages of variance analyses, the original Estimates have been restated to a comparative line by line consolidation basis. The following table illustrates how this is a reallocation of the Consolidation and Accounting Adjustments balances to gross up the related revenue and expense lines. Note that the change in presentation causes no impact on the provincial deficit because it is already stated in accordance with generally accepted accounting principles.

As per Note 1 on page 85, when consolidating the government controlled entities into these financial statements, the province adjusts the entities' accounting policies to be consistent with its own so the amounts can be added together on a consistent basis. Also, the significant inter-entity transactions are eliminated. For example, grants expense recorded in departmental expenses is eliminated with the corresponding grants revenue in the related entity. This transfer between the two related entities does not increase or decrease the assets of the province on a consolidated basis. After eliminations have been adjusted, the remaining revenues and expenses represent transactions with outside entities not controlled by the province. Only transactions with these outside entities represent the increase and decrease in the province's financial position.

Budgetary Summary – Estimates Only**Reconciliation to Consolidated Financial Statements Format**

For the year ended March 31, 2010 (\$ thousands)

			Public Accounts Statement 2
Revenue	Estimates	Adjustments	
Ordinary Revenue - Provincial Sources	4,336,194	(40,986)	4,295,208
Ordinary Revenue - Federal Sources	2,959,016	156,153	3,115,169
Fees and Other Charges	61,235	—	61,235
Ordinary Recoveries	606,895	(96,383)	510,512
Other Revenue	—	640,725	640,725
Sinking Fund & Public Debt Retirement Earnings	91,623	—	91,623
Total Revenue	8,054,963	659,509	8,714,472
Expenses			
Agriculture	61,686	2,408	64,094
Community Services	945,813	74,196	1,020,009
Economic and Rural Development	95,243	21,431	116,674
Education	1,285,147	328,937	1,614,084
Assistance to Universities	455,802	—	455,802
Energy	40,090	4,830	44,920
Environment	44,334	49,800	94,134
Finance	30,399	17,403	47,802
Fisheries and Aquaculture	11,350	—	11,350
Health	3,422,276	108,622	3,530,898
Health Promotion and Protection	89,031	(36,686)	52,345
Justice	281,490	33	281,523
Labour and Workforce Development	160,859	(18,104)	142,755
Natural Resources	91,449	2,866	94,315
Public Service	182,702	7,973	190,675
Seniors	1,957	—	1,957
Service Nova Scotia and Municipal Relations	300,194	1,675	301,869
Tourism, Culture and Heritage	63,022	2,928	65,950
Transportation and Infrastructure Renewal	374,333	990	375,323
Restructuring Costs	178,817	—	178,817
Pension Valuation Adjustment	—	88,990	88,990
Loss (Gain) on Disposal of Crown Assets	—	—	—
Program Expenses	8,115,994	658,292	8,774,286
Pension Valuation Adjustment	88,990	(88,990)	—
Debt Servicing Costs	889,076	—	889,076
Total Expenses	9,094,060	569,302	9,663,362
Deficit from Government Units	(1,039,097)	90,207	(948,890)
Consolidation & Accounting Adjustments			
Consolidated Fund Consolidation Adjustments	85,919	(85,919)	—
Health and Hospital Boards Operations	1,267	(1,267)	—
School Board Operations	—	—	—
Special Purpose Funds	1,055	(1,055)	—
Other Organizations	1,966	(1,966)	—
Total Adjustments	90,207	(90,207)	—
Net Income from GBEs	356,797	—	356,797
Provincial Deficit	(592,093)	—	(592,093)



Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position reports the balances of financial assets, liabilities, and non-financial assets. It discloses the balances of net direct debt as a key measure of the province's financial position and accumulated deficits as a secondary measure.

Net Direct Debt

Net direct debt is the difference between the province's liabilities and financial assets. It represents the amount of liabilities to be funded from future revenues and taxation. Net direct debt is increased by operating deficits and investment in tangible capital assets and other non-financial assets. It is decreased by an operating surplus and decreases in net tangible capital assets and other non-financial assets.

As at March 31, 2010, net direct debt was \$13.0 billion, \$700.3 million higher than the prior year due to the deficit and a large net investment in tangible capital assets.

Accumulated Deficits

Accumulated deficits represent the difference between the province's liabilities and both the financial and non-financial assets. Further, it is the sum of all surpluses and deficits incurred to date, calculated according to current accounting policies. The accumulated deficits were \$8.4 billion at the end of 2010, higher by \$241.9 million compared to 2009.

Net Direct Debt and Accumulated Deficits

(\$ thousands)

	Actual 2010	Actual 2009 (as restated)	Variance Increase (Decrease)
Financial Assets	3,478,961	3,235,563	243,398
Less: Liabilities	16,497,517	15,553,802	943,715
Net Direct Debt	(13,018,556)	(12,318,239)	(700,317)
Non-Financial Assets	4,615,772	4,157,379	458,393
Accumulated Deficits	(8,402,784)	(8,160,860)	(241,924)

Net direct debt per capita increased by \$733 from \$13,146 in 2009 to \$13,879 in 2010. Net direct debt expressed as a percentage of gross domestic product (GDP) has increased 2 percentage points from 36 per cent in 2009 to 38 per cent in 2010. The increase in GDP was mostly offset by the increase in net direct debt.

The deficit caused an increase of \$248 per capita in accumulated deficits. Accumulated deficits expressed as a percentage of gross domestic product (GDP) increased 1 percentage point from 24 per cent in 2009 to 25 per cent in 2010 due to favorable increases in GDP to offset the deficit in the year.

Per Capita \$

Net Direct Debt and Accumulated Deficits

	Actual 2010	Actual 2009 (as restated)	Variance Increase (Decrease)
Per Capita \$			
Net Direct Debt per capita	13,879	13,146	733
Accumulated Deficits per capita	8,958	8,710	248
Population (000's)	938	937	
Gross Domestic Product			
Net Direct Debt vs GDP	38%	36%	
Accumulated Deficits vs GDP	25%	24%	
GDP at market prices (millions)	33,831,000	34,188,000	



Financial Assets

Financial Assets consist of assets available to discharge existing liabilities or to finance future operations. Financial assets increased \$243.4 million from the previous year. Cash and short-term investments decreased by \$187.4 million due to the repayment of bank advances and short-term borrowings.

Loans receivable increased by \$335.0 million over the previous year. Housing Development Corporation's loan portfolio increased by \$183.7 million, primarily due to infrastructure loans to long-term care providers. Additional lending by the Industrial Expansion Fund, Nova Scotia Strategic Opportunities Fund, and Nova Scotia Municipal Finance Corporation also increased loans receivable by a combined \$157.0 million.

Financial Assets

(\$ thousands)

	Actual 2010	Percentage of total	Actual 2009 (as restated)	Percentage of total	Variance Increase (Decrease)
Cash and Short-term Investments	781,442	23%	968,806	30%	(187,364)
Accounts Receivable and Advances	938,404	27%	866,679	27%	71,725
Loans Receivable	1,639,249	47%	1,304,299	40%	334,950
Other Financial Assets	119,866	3%	95,779	3%	24,087
Total Financial Assets	3,478,961	100%	3,235,563	100%	243,398

Liabilities

Liabilities, consisting of debts or monetary obligations owing at March 31 to be paid in the future with cash or other assets, increased by \$943.7 million over the previous year. Unmatured debt increased by \$1,147.8 million over the previous year, due primarily to \$1,835.2 million of borrowings by the Consolidated Fund to fund the budgetary deficit, various loans receivable expansions in the year, stimulus spending, and to repay bank advances used for short-term liquidity. These borrowings were offset by \$682.6 million in repayments of debentures and other long term obligations. Pension, retirement and other obligations increased by \$184.7 million based on valuations including updated member data and actuarial assumptions. To offset these increases, bank advances were reduced by \$171.3 million with proceeds of long-term debt, and deferred revenue was drawn down by \$253.3 million.

There are some significant amounts of restricted inflows recorded as deferred revenue until purpose restrictions are met. The 2010 decrease of \$253.3 million was primarily due to the recognition of \$180.1 million from the Offshore Accord and \$45.9 million for C-52 federal trusts. See Note 4 on page 90 for more details on deferred revenue.

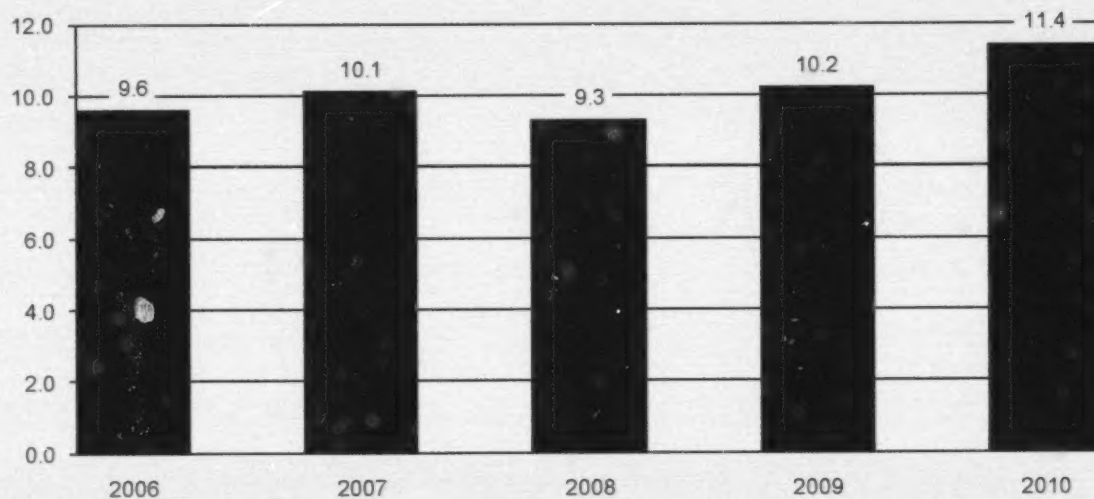
Liabilities (\$ thousands)

	Actual 2010	Percentage of Total	Actual 2009 (as restated)	Percentage of Total	Variance Increase (Decrease)
Bank Advances and Short-Term Borrowings	442,573	3%	613,866	4%	(171,293)
Accounts Payable and Accrued Liabilities	1,603,756	10%	1,498,846	10%	104,910
Deferred Revenue	669,077	4%	922,355	6%	(253,278)
Unmatured Debt of Governmental Units	11,372,026	69%	10,224,246	66%	1,147,780
Federal Equalization Repayable Loan	72,193	—	84,225	1%	(12,032)
Pension, Retirement and Other Obligations	1,967,476	12%	1,782,727	11%	184,749
Other Liabilities	370,416	2%	427,537	2%	(57,121)
Total Liabilities	16,497,517	100%	15,553,802	100%	943,715

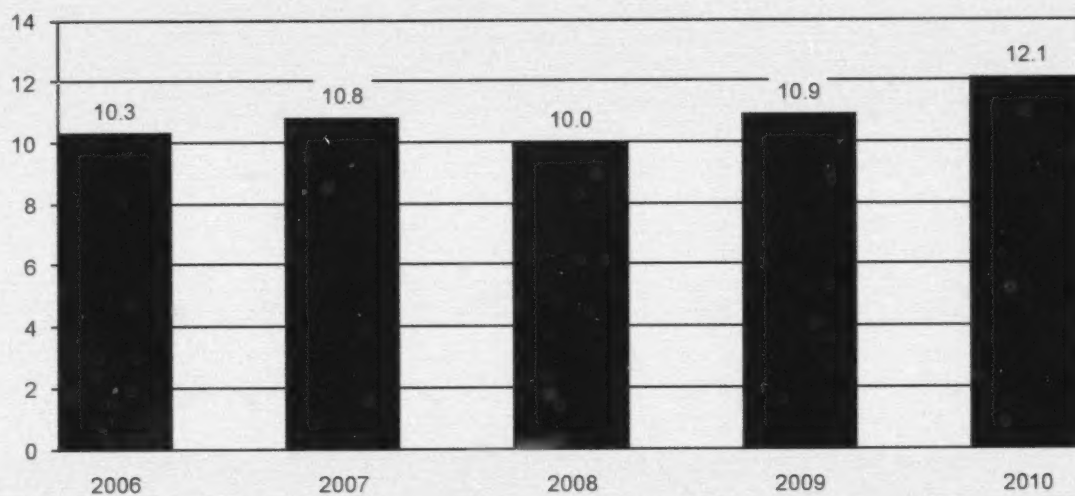


Unmatured debt consists primarily of borrowings of the Consolidated Fund.

Unmatured Debt
2006 to 2010 (\$ billions)



Unmatured Debt per Capita
2006 to 2010 (\$ thousands)



Non-Financial Assets

Non-financial assets are a component of the province's financial position, and are assets to be used during the provision of services in the future. Non-financial assets consist primarily of tangible capital assets but also include supplies inventories and prepaid expenses.

Non-Financial Assets (\$ thousands)

	Actual 2010	Percentage of total	Actual 2009 (as restated)	Percentage of Total	Variance Increase (Decrease)
Tangible Capital Assets	4,522,719	98%	4,070,380	98%	452,339
Inventories of Supplies	62,430	1%	56,504	1%	5,926
Prepaid Expenses	30,623	1%	30,495	1%	128
Total Non-Financial Assets	4,615,772	100%	4,157,379	100%	458,393

Tangible Capital Assets

The net book value (cost less accumulated amortization) of tangible capital assets is a major asset to the province, totaling \$4.5 billion at the end of 2010 (\$4.1 billion in 2009). The Buildings and Land Improvements asset class includes a large portion of capital assets pertaining to provincially owned buildings, schools, and hospitals, as well as a significant number of leased schools and the correctional forensic facility.

Tangible Capital Assets (Net Book Value) (\$ thousands)

	Actual 2010	Percentage of Total	Actual 2009 (as restated)	Percentage of Total	Variance Increase (Decrease)
Land	724,227	16%	616,025	15%	108,202
Buildings and Land Improvements	2,421,275	53%	2,296,445	56%	124,830
Roads, Bridges and Highways	982,611	22%	796,354	20%	186,257
Machinery, Computers and Equipment	350,897	8%	322,433	8%	28,464
Vehicles and Ferries	43,709	1%	39,123	1%	4,586
Total Tangible Capital Assets	4,522,719	100%	4,070,380	100%	452,339



As shown on Schedule 7, page 77, current year acquisitions totaled \$775.0 million (\$503.6 million in 2009). Additions to the Buildings and Land Improvements category totaled \$244.7 million (\$192.0 million in 2009), of which \$59.4 million relates to district health authorities, \$108.0 million was school construction, \$32.5 million was Nova Scotia Community College, including Phase 2 of the Waterfront Campus, \$21.2 million was social housing, and \$10.2 million was provincial building upgrades and construction. Total investment in Roads, Bridges and Highways was \$292.4 million (\$202.3 million in 2009). In the year, additions to Machinery, Computers and Equipment were \$106.9 million (\$90.8 million in 2009), of which \$49.4 million is attributable to district health authorities and \$50.7 million to the Consolidated Fund.

Tangible Capital Assets (Gross Cost)

Acquisitions by Category
(\$ thousands)

	Actual 2010	Actual 2009 (as restated)	Actual 2008	Actual 2007	Actual 2006
Land	115,281	13,237	17,513	42,447	10,102
Buildings and Land Improvements	244,747	192,075	171,729	165,355	145,585
Roads, Bridges and Highways	292,438	202,304	143,966	214,310	147,215
Machinery, Computers and Equipment	106,893	90,815	88,686	109,587	84,661
Vehicles and Ferries	15,629	5,196	15,209	16,540	12,333
Total Tangible Capital Assets	774,988	503,627	437,103	548,239	399,896

Every category shows a net book value increase in each of the past five years due to investment in tangible capital assets at a rate that exceeds amortization and disposals.

Tangible Capital Assets (Net Book Value)

(\$ thousands)

	Actual 2010	Actual 2009 (as restated)	Actual 2008	Actual 2007	Actual 2006
Land	724,227	616,025	602,853	588,120	545,986
Buildings and Land Improvements	2,421,275	2,296,445	2,216,540	2,155,242	2,094,899
Roads, Bridges and Highways	982,611	796,354	682,221	611,784	458,391
Machinery, Computers and Equipment	350,897	322,433	304,061	293,703	255,492
Vehicles and Ferries	43,709	39,123	44,712	39,268	32,550
Total Tangible Capital Assets	4,522,719	4,070,380	3,850,387	3,688,117	3,387,318

Consolidated Statement of Net Direct Debt

Details of the changes in net direct debt that are reported on Statement 3, page 61 include the surplus for the year as well as changes in non-financial assets. In 2010, net direct debt increased by \$700.3 million due to the \$241.9 million provincial deficit and the \$452.3 million net investment in tangible capital assets. Other small changes impacting the balance of net direct debt were an increase of \$5.9 million in supplies inventory and the increase of \$0.1 million in prepaid expenses.

Consolidated Statement of Cash Flow

The province records its transactions on an accrual basis in accordance with generally accepted accounting principles (GAAP), the timing of which may vary from when actual cash is paid or received. Statement 4 on page 62 details the increase or decrease in the province's net cash position in terms of sources and uses of cash identified within the following activities: operating, investing, capital, and financing.

During 2010, the province's cash position decreased by \$187.4 million. Cash inflows were generated as \$1.9 billion of debt was issued. These inflows were offset by \$752.7 million of debt repayment and \$775.0 million in gross acquisitions of tangible capital assets during the current year.

Cash Flow by Category (\$ thousands)

	Actual 2010	Actual 2009 (as restated)	Variance Increase (Decrease)
Operating	(271,962)	(20,745)	(251,217)
Investing	(346,856)	(172,565)	(174,291)
Capital	(751,780)	(502,350)	(249,430)
Financing	1,183,234	1,054,468	128,766
Net Inflows (Outflows)	(187,364)	358,808	(546,172)

Risk

The province is subject to various forms of risk inherent in the nature of certain financial statement elements and financial markets. Exposure to risk from the use of accounting and other estimates in recording certain transactions is discussed in Note 1(d) of the consolidated financial statements. Financial risks, including foreign currency risk and interest rate risk, are discussed on page 41 in the section called Debt Review of the Consolidated Fund.



Selected Highlights of the Consolidated Fund

Budgetary Summary (\$ thousands)

	Estimate 2010	Actual 2010	Actual 2009 (as restated)
Consolidated Fund*			
Ordinary Revenue	7,295,210	7,468,114	7,497,663
Fees and Other Charges	61,235	66,342	61,980
Ordinary Recoveries	606,895	616,976	458,755
Sinking Fund Earnings	91,523	92,188	116,384
	8,054,963	8,243,620	8,134,782
Less: Departmental Expenses	8,115,994	7,943,197	7,563,113
Pension Valuation Adjustment	88,990	86,410	85,066
Debt Servicing Costs	889,076	853,216	866,641
	9,094,060	8,882,823	8,514,820
	(1,039,097)	(639,203)	(380,038)
Consolidation and Accounting Adjustments for the Consolidated Fund and Governmental Units			
Consolidated Fund Consolidation Adjustments	85,919	3,055,589	2,869,055
Health and Hospital Boards Operations	1,267	(1,814,988)	(1,685,801)
School Board Operations	—	(1,033,941)	(999,136)
Special Purpose Funds	1,055	3,885	200
Other Organizations	1,966	(171,997)	(137,887)
	90,207	38,548	46,431
Net Income from Government Business Enterprises			
Nova Scotia Gaming Corporation	128,100	127,160	133,394
Nova Scotia Liquor Corporation	217,000	219,363	212,613
Other Enterprises	11,697	12,208	13,573
	356,797	358,731	359,580
Provincial Surplus (Deficit)	(592,093)	(241,924)	25,973

*The Consolidated Fund is comprised of the province's departments and public service units, but excludes other governmental units and government business enterprises owned or controlled by the province.

Revenues – Consolidated Fund

In total, revenue for fiscal 2010 was higher than estimate by \$188.7 million or 2.3 per cent, and was \$108.8 million or 1.3 per cent higher than the prior year's actual revenue. The table below shows the current year estimate, the current and prior year actual revenue, and the current year actual variances from estimate and prior year actual. The analysis that follows this table includes explanations, by revenue source, for the most significant variances.

Revenues (\$ thousands)

	Estimate 2010	Actual 2010	Actual 2009	Actual vs Estimate Increase (Decrease)	Actual vs Actual Increase (Decrease)
Provincial Sources					
Personal Income Tax	1,781,057	1,901,637	1,818,415	120,580	83,222
Corporate Income Tax	322,325	308,832	352,476	(13,493)	(43,644)
Harmonized Sales Tax	1,181,534	1,187,177	1,174,966	5,643	12,211
Tobacco Tax	169,061	199,149	147,654	30,088	51,495
Motive Fuel Taxes	247,493	248,128	243,379	635	4,749
Interest Revenues	93,178	81,898	84,780	(11,280)	(2,882)
Registry of Motor Vehicles	103,332	111,763	112,594	8,431	(831)
Petroleum Royalties	151,011	125,634	451,795	(25,377)	(326,161)
Offshore Licenses Forfeitures	—	14,789	2,063	14,789	12,726
Other Provincial Sources	275,176	294,998	290,596	19,822	4,402
TCA Cost Shared Revenue	12,027	12,027	2,999	—	9,028
Prior Years' Adjustments -					
Provincial Sources	—	54,065	53,904	54,065	161
Fees and Other Charges	61,235	66,342	61,980	5,107	4,362
Ordinary Recoveries -					
Provincial Sources	280,653	304,752	274,032	24,099	30,720
Sinking Fund Earnings	91,623	92,188	116,384	565	(24,196)
Total Provincial Sources	4,769,705	5,003,379	5,188,017	233,674	(184,638)
Federal Sources					
Equalization Payments	1,464,935	1,464,935	1,464,935	—	—
Canada Health Transfer	700,137	700,137	668,683	—	31,454
Canada Social Transfer	304,089	301,978	297,114	(2,111)	4,864
Crown Share	79,352	79,386	95,114	34	(15,728)
Offshore Accord	180,072	180,072	105,884	—	74,188
Other Federal Sources	63,688	39,202	50,411	(24,486)	(11,209)
C48 Infrastructure Trust Funds	1,500	9,416	29,913	7,916	(20,497)
C52 Trust Funds	21,961	39,619	5,992	17,658	33,627
Knowledge Infrastructure Program	18,094	10,331	—	(7,763)	10,331
TCA Cost Shared Revenue	125,188	108,772	36,366	(16,416)	72,406
Prior Years' Adjustments -					
Federal Sources	—	(5,831)	7,630	(5,831)	(13,461)
Ordinary Recoveries -					
Federal Sources	326,242	312,224	184,723	(14,018)	127,501
Total Federal Sources	3,285,258	3,240,241	2,946,765	(45,017)	293,476
Total Revenues	8,054,963	8,243,620	8,134,782	188,657	108,838



Variance Analysis – Actual Compared With Estimate

Personal Income Tax

Personal Income Tax (PIT) revenue was \$120.6 million or 6.8 per cent higher than estimate due primarily to revised national personal taxable income estimates. The increase was driven by stronger growth in salaries and wages as a result of labour market conditions improving following the global recession.

Corporate Income Tax

Corporate Income Tax (CIT) revenue is down by \$13.5 million or 4.2 per cent from estimate due to the contraction of national corporate taxable income. Corporate profits remained weak as a result of the global financial crisis and economic downturn and corporations continued to carry-forward losses from 2008.

Harmonized Sales Tax

Harmonized Sales Tax (HST) revenue was \$5.6 million or 0.5 per cent higher than estimate as a result of consumer expenditure growth being slightly stronger than originally anticipated offset by higher rebates for public sector bodies.

Tobacco Tax

Tobacco Tax revenues were \$30.1 million or 17.8 per cent higher than estimate. The 2010 budget estimate anticipated an immediate negative impact on cigarette consumption levels as a result of a tax increase in 2009; however, the decline was not as severe as originally forecasted. In addition, the inflation on tobacco product prices was less than forecasted so there was less negative impact on consumption.

Motive Fuel Taxes

Motive fuel tax revenues were \$0.6 million or 0.3 per cent higher than estimate as consumption of gasoline was marginally higher than forecasted offset by lower consumption of diesel oil. The average price of diesel oil throughout the year was higher than estimated.

Interest Revenues

Interest revenues were \$11.3 million or 12.1 per cent lower than estimate primarily based upon lower revenues from student loans compared to forecast.

Registry of Motor Vehicles

Registry of Motor Vehicles revenue was \$8.4 million or 8.2 per cent higher than estimate due to increases in both passenger vehicle registrations and drivers' licenses and increased fine revenue.

Petroleum Royalties

Offshore petroleum royalties were \$25.4 million or 16.8 per cent below estimate due to declining production levels. Market prices for natural gas were marginally higher than estimated.

Offshore Licenses Forfeitures

License holders forfeited \$14.8 million in exploration licenses in the year. Forfeiture is not unusual given the unpredictable nature of the offshore industry. The province's accounting recognition policy is to record forfeiture revenue when a notice of forfeiture is given. Forfeitures are not budgeted because they cannot reasonably be predicted.

Other Provincial Revenues

Other Provincial Revenues were \$19.8 million or 7.2 per cent higher than estimate, mainly due to the following: Tax on Insurance Premiums increased by \$3.0 million; licenses and fees for the Nova Scotia Securities Commission increased by \$2.8 million; fines for criminal prosecutions increased by \$1.3 million; and the Large Corporation Capital Tax increased \$11.8 million.

Prior Year Adjustments — Provincial Sources

Prior year adjustments of \$54.1 million reflect updated federal government information on increases in forecasted tax yields for personal and corporate income taxes, revisions to HST forecasts for open years, and the Large Corporations Capital Tax. The increases were offset by downward revisions to corporate income tax and offshore royalty revenue forecasts for prior years.

Fees and Other Charges

Fees and Other Charges were \$5.1 million or 8.3 per cent higher than estimate. The major sources of variance were in Agriculture (up \$1.8 million), Justice (up \$1.6 million), and Transportation and Infrastructure Renewal (up \$1.0 million).

Ordinary Recoveries — Provincial Sources

Ordinary Recoveries — Provincial Sources were \$24.1 million or 8.6 per cent more than estimate. \$5.8 million is attributable to increased reciprocal billing charges recovered from other provinces for health care provided to out-of-province residents. \$2.5 million is due to increases in recoveries for highway projects by the Department of Transportation and Infrastructure Renewal. Other increases to recoveries are mainly due to: \$7.0 million for the Department of Education and Assistance to Universities and \$6.7 million for Public Service units, primarily for the Emergency Management Office.

Equalization

Equalization payments are based upon a one-estimate/one-payment system that is not subject to re-estimation during the fiscal year. As a result, actual revenue in 2009-10 matches the estimated amount exactly.

Canada Health Transfer

The federal government made changes to the program in 2010 to provide Ontario with the same per capita cash transfer as Equalization-receiving provinces. As a result the cash transfer amounts were fixed in federal legislation (*Federal-Provincial Fiscal Arrangements Act (Canada)*) and not subject to re-estimation during the fiscal year.

Canada Social Transfer

Canada Social Transfer (CST) payments were \$2.1 million or 0.7 per cent lower than the estimate. Cash payments are made on an equal per capita basis for all provinces based upon their share of the national population. Federal estimates of Nova Scotia's share of the national population were revised downward during the fiscal year.

Crown Share

Resolution of the federal government's statutory obligation to pay Nova Scotia its portion of Crown Share Revenues for offshore projects resulted in a payment of \$79.4 million for the 2010 fiscal year. The payment was based on estimates completed by the chair of the Crown Share Adjustment Expert Panel and was not subject to re-estimation during the fiscal year.



Offshore Accord

Offshore Accord payments are calculated as part of the Equalization program and are therefore subject to the one-estimate/one-payment system and not re-estimated during the fiscal year.

Other Federal Sources

Other federal sources of revenue were \$24.5 million or 38.4 per cent lower than estimate. Draw downs for the Community Development Trust were less than budgeted and are offset by equal decreases in expenditures. In addition, Build Canada Fund recoveries were less than forecast and are also offset by equal reductions in planned expenditures.

C-48 Infrastructure Trust Funds

The federal government created trust funds with the passing of Bill C-48. These Infrastructure Trust revenues are \$7.9 million or 527.7 per cent higher than estimate. The province draws down revenue from the federal trusts to match provincial spending commitments in the areas covered by the trust funds. The Affordable Housing trust expired this fiscal year resulting in a drawn down of revenues that was not forecasted at the time the budget was prepared.

C-52 Trust Funds

The federal government created trust funds with the passing of Bill C-52. These trust revenues are \$17.7 million or 80.4 per cent higher than estimate. The province draws down revenue from the federal trusts to match provincial spending commitments in the three areas covered by the trust funds. The eco-Trust for Clean Air and Climate Change was completely drawn down reflecting the expiry of the trust, offset by lower than anticipated draw downs and expenditures for HPV Immunization and the Patient Wait Times Guarantee trusts.

Knowledge Infrastructure Program

Knowledge Infrastructure Program (KIP) is a federal /provincial initiative to provide post secondary education institutions with funding for infrastructure projects. Revenue was \$7.8 million or 42.9 per cent lower than estimate. Draw downs for the Knowledge Infrastructure Program were less than budgeted as a result of less than anticipated eligible expenditures being incurred in 2010.

TCA Cost Shared Revenue — Federal Sources

Federal TCA cost shared revenue was \$16.4 million or 13.1 per cent below estimate. This was primarily due to lower contributions to Tangible Capital Assets from the federal government under the Build Canada Agreement and lower than estimated capital grants related to the deferral of some Health projects.

Prior Year Adjustments — Federal Sources

Prior year negative adjustments of \$5.8 million were the result of updated federal estimates of the province's share of Basic Federal Tax, Corporate Tax, and population used in the calculation of the Canada Health Transfer (\$5.2 million) and Canada Social Transfer (\$0.6 million) for open years.

Ordinary Recoveries — Federal Sources

Ordinary Recoveries — Federal Sources were \$14.0 million or 4.3 per cent less than estimate primarily due to projected work not being completed by year-end under the Municipal Rural Infrastructure and Build Canada funding arrangements with the federal government.

Variance Analysis — Actual Compared With Prior Year Actual

Personal Income Tax

Personal Income Tax (PIT) revenue was \$83.2 million or 4.6 per cent higher than the prior year as a result of year-over-year growth in national personal taxable income combined with an increase in the province's yield. The increase is partially offset by growth in tax credits and the planned increases to the Basic Personal Amount and the non-refundable block of tax credits.

Corporate Income Tax

Corporate Income Tax (CIT) revenue was \$43.6 million or 12.4 per cent lower than the prior year due to declining national corporate taxable income and provincial corporate profits related to the global economic recession and the carry-forward of corporate losses from the 2008 taxation year.

Harmonized Sales Tax

Harmonized Sales Tax (HST) revenue was \$12.2 million or 1.0 per cent higher than the prior year. Growth in tax bases slowed; however, the limited growth in HST revenue is largely attributable to re-instating the rebate for basic electricity in Your Energy Rebate Program and \$10.5 million for the New Home Construction Rebate program offered for during the 2010 fiscal year.

Tobacco Tax

Tobacco Tax revenue was \$51.5 million or 34.9 per cent higher than the prior year primarily as a result of a \$0.05 per unit tax increase implemented on June 23, 2009.

Motive Fuel Taxes

Motive Fuel Tax revenue was \$4.7 million or 2.0 per cent higher than the prior year primarily as a result of prices for gasoline moderating during the fiscal year and consumption increasing. This was offset by a decline in diesel oil consumption due to higher prices.

Interest Revenues

Interest revenues were \$2.9 million or 3.4 per cent lower than the prior year due to declining interest rates on short term paper, reduced borrowing requirements, and lower interest revenues from student loans.

Registry of Motor Vehicles

Registry of Motor Vehicles revenue was down from last year by \$0.8 million or 0.7 per cent due to a decline in fines revenue offset by increases in both passenger and commercial vehicle registrations.

Petroleum Royalties

Offshore petroleum royalties were \$326.2 million or 72.2 per cent lower than prior year due to capital costs associated with the drilling of a new well, as well as increased operating costs as part of a planned shutdown for maintenance and occupational health and safety work. In addition, natural gas prices were much lower this fiscal year and the stronger USD/CAD exchange rate had a negative impact as the contracts for natural gas are denominated in US dollars.

Offshore Licenses Forfeitures

Revenue from forfeitures of offshore exploration licenses increased \$12.7 million or 616.9 per cent over the prior year. Forfeitures are not predictable from year to year.



Other Provincial Revenues

Other Provincial Revenues were \$4.4 million or 1.5 per cent higher than the prior year as small increases in several areas were largely offset by the scheduled phase out of the Large Corporations Capital Tax.

TCA Cost Shared Revenue — Provincial Sources

Provincial sources of TCA cost shared revenue were \$9.0 million or 301.0 per cent higher than the prior year primarily as a result of the completion of school projects.

Prior Year Adjustments — Provincial Sources

Prior year adjustments (PYA) revenue was \$0.1 million or 0.3 per cent lower than the prior year. Increased PYAs for Personal Income Tax, Harmonized Sales Tax and the Large Corporations Capital Tax were offset by negative PYAs for Corporate Income Tax and Offshore Petroleum Royalties.

Fees and Other Charges

Fees and Other Charges were \$4.4 million or 7.0 per cent higher than the prior year as a result of fees being increased at the same rate as growth in the provincial Consumer Price Index and increased revenues in the departments of Agriculture, Health, and Justice.

Ordinary Recoveries — Provincial Sources

Ordinary Recoveries from Provincial Sources were \$30.7 million or 11.2 per cent higher than the prior year mainly due to higher profits of the Nova Scotia Housing Development Corporation. Other increases included \$6.5 million from reciprocal billing charges recovered from other provinces for health care provided to out-of-province residents and \$4.5 million for the Emergency Management Office.

Equalization

Equalization is unchanged from the prior year as the federal government committed to maintain program funding in 2010 at the same level as provinces received in 2009. In the absence of this commitment the Province's Equalization payment would have declined.

Canada Health Transfer

The Canada Health Transfer (CHT) increased \$31.5 million or 4.7 per cent due to a federally legislated 6 per cent increase in the cash transfers, offset by the province's declining share of the national population and relative share of income taxes used as factors in the CHT formula.

Canada Social Transfer

Revenue from the Canada Social Transfer (CST) grew by \$4.9 million or 1.6 per cent compared to the prior year. The federally legislated growth of 3 per cent in the national cash pool for CST was partially offset by a declining share of the national population.

Crown Share

Crown Share Adjustment Payments revenue declined by \$15.7 million or 16.5 per cent compared to the prior year. The payment is based upon estimates developed by the chair of the Crown Share Adjustment Expert Panel and reflects changes in prices, production volume and projected profits.

Offshore Accord

Offshore Accord revenue increased \$74.2 million or 70.1 per cent compared to the prior year. This reflects more recent offshore royalty revenues being included in the Equalization formula and a corresponding decline in Equalization entitlements.

Other Federal Sources

Other Federal Source revenues decreased by \$11.2 million or 22.2 per cent from the prior year due to a reduction in funds drawn down for the Public Safety Trust, reduced funding for the Wait Times Reduction Transfer, and the absence of a one-time revenue for examining the benefits of carbon storage in the province.

C-48 Infrastructure Trust Funds

Bill C-48 Infrastructure Trust revenues were \$20.5 million or 68.5 per cent lower than the prior year. The province draws down revenue from the federal trusts to correspond with spending in the areas covered by the trust funds. Reduced spending occurred in the year as the draw down for Public Transit Infrastructure was completed last year and the final draw down for Off-Reserve Aboriginal Housing was completed.

C-52 Trust Funds

Bill C-52 Trust revenues were \$33.6 million or 561.2 per cent higher than the prior year. The province draws down revenue from the federal trusts to correspond with spending in the three areas covered by the trust funds. The increase is primarily the result of drawing down the remainder of the eco-Trust for Clean Air and Climate Change.

Knowledge Infrastructure Program

Knowledge Infrastructure Program revenue was \$10.3 million higher than the prior year since 2010 was the first of two years for this program. The revenue recognized was based on eligible expenditures incurred during the fiscal year.

TCA Cost Shared Revenue — Federal Sources

Federal TCA cost shared revenue exceeded the prior year level by \$72.4 million or 199.1 per cent primarily as a result of federal contributions for highway projects as a result of an economic stimulus package.

Prior Year Adjustments — Federal Sources

Prior year adjustments were \$13.5 million or 176.4 per cent lower than the prior year as a result of negative adjustments to federal estimates of the province's share of Basic Federal Tax and Corporate Tax used in the calculation of the Canada Health Transfer (CHT) and Canada Social Transfer (CST) for open years, compared to positive population share adjustments received in the prior year.

Ordinary Recoveries — Federal Sources

Ordinary Recoveries from Federal Sources were \$127.5 million or 69.0 per cent higher than the prior year due to increased recoveries for the federal gas tax transfer, additional funding for the Labour Market and Labour Market Development agreements, and increased funding for housing programs.



Departmental Expenses — Consolidated Fund

Overall, Departmental Expenses were lower than estimate by \$172.8 million or 2.1 per cent for fiscal 2010.

The table below shows the current year estimate, the current and prior year actual expenses, and the current year variance of actual versus estimate. The analysis that follows this table includes explanations, by department, for the most significant variances.

Departmental Expenses (\$ thousands)

Department	Estimate 2010	Actual 2010	Actual 2009 (as restated)	Actual vs Estimate Increase (Decrease)
Agriculture	61,686	70,978	65,984	9,292
Community Services	945,813	944,934	890,631	(879)
Economic and Rural Development	95,243	73,356	91,012	(21,887)
Education	1,285,147	1,279,285	1,261,885	(5,862)
Assistance to Universities	455,802	450,359	485,468	(5,443)
Energy	40,090	24,677	35,881	(15,413)
Environment	44,334	42,581	27,907	(1,753)
Finance	30,399	27,123	27,085	(3,276)
Fisheries and Aquaculture	11,350	8,654	7,311	(2,696)
Health	3,422,276	3,369,241	3,165,806	(53,035)
Health Promotion and Protection	89,031	85,042	87,666	(3,989)
Justice	281,490	277,805	262,071	(3,685)
Labour and Workforce Development	160,859	146,328	67,410	(14,531)
Natural Resources	91,449	92,373	86,829	924
Public Service	182,702	184,026	157,602	1,324
Seniors	1,957	1,903	1,693	(54)
Service Nova Scotia and Municipal Relations	300,194	278,665	244,388	(21,529)
Tourism, Culture and Heritage	63,022	62,930	61,356	(92)
Transportation and Infrastructure Renewal	374,333	378,286	381,343	3,953
Restructuring Costs	178,817	159,594	154,861	(19,223)
Loss (Gain) on the Disposal of Crown Assets	—	(14,943)	(1,076)	(14,943)
Total Departmental Expenses	8,115,994	7,943,197	7,563,113	(172,797)

Additional appropriations require approval by the Governor-in-Council within 90 days of the issuance of these Public Accounts. These amounts are summarized by appropriation on pages 39 and 40.

The consolidation of departmental expenses with that of governmental units provides the total expenses for which government is accountable. This table provides the departmental expenses by department prior to the consolidation, as compared to the prior fiscal year and the budget, which are the estimates as approved by the Legislature in the annual Appropriations Act.

Variance Analysis — Actual Compared With Estimate

Agriculture

The Department of Agriculture spent \$9.3 million or 15.1 per cent more than budget due to a \$4.6 million increase in allowance for doubtful accounts for the Farm Loan Board and increased spending of \$3.3 million in Agriculture Services for crop and livestock insurance, programs and risk management, and land protection services. The department spent an additional \$1.4 million related to the Nova Scotia Agricultural College for items such as college operations and housing.

Community Services

Spending in the Department of Community Services was \$0.9 million or 0.1 per cent less than budget. Under expenditures of \$9.4 million in Early Childhood programs funded from the Federal Early Learning and Child Care Trust funds, savings of \$1.7 million in the Nova Scotia Child Benefit enhancements that were budgeted for a full year but not effective until July 2009, as well as, savings in salaries and other administrative costs of more than \$6.3 million across the department accounts for most of the favorable variance. These savings were partially redirected to offset pressures of \$3.0 million in Child Welfare Maintenance of Children costs related to increased caseloads and case complexity, \$8.7 million in Income Assistance payments related to rising caseloads, \$4.0 million in Services for Persons with Disabilities program expenditures primarily related to service provider rate review, and \$0.8 million in Housing Services to accelerate the provincial spending on the two-year federal/provincial economic stimulus plan.

Economic and Rural Development

The Department of Economic and Rural Development (ERD) spent \$21.9 million or 23.0 per cent less than budget. The Industrial Expansion Fund underspent by \$9.2 million due to a decrease in investments. The Manufacturing and Processing Investment Credit was created to increase competitiveness of Nova Scotia businesses; however, administration of the credit was delayed resulting in an under expenditure of \$4.5 million. Reduced spending of \$4.3 million was related to the delays in the Broadband for Rural Nova Scotia program, and \$3.3 million of the Community Development Trust was unallocated for the year. Savings from salary vacancies and departmental operations were \$1.6 million, and ERD related entities underspent \$1.0 million in capital projects. These savings were offset by an additional \$2.0 million contribution to the Nova Scotia Research and Innovation Trust.

Education

The Department of Education was \$5.9 million or 0.5 per cent under budget as a result of program grants, in particular student assistance, being \$1.5 million under budget; amortization costs \$1.2 million less than budget; public education, primarily grants, less than budget by \$1.1 million; and under expenditures of \$2.1 million related to vacancies and operational efficiencies across the department.

Assistance to Universities

Actual 2010 spending for Assistance to Universities was \$5.4 million or 1.2 percent under budget primarily as a result of \$7.7 million less than budgeted spending for Knowledge Infrastructure Program projects, partially offset by increased university funding of \$2.0 million.



Energy

The Department of Energy spent \$15.4 million or 38.4 per cent less than budget. This was primarily due to \$14.9 million lower than expected participation in conserve Nova Scotia's grant programs. An increase in grants and contributions of \$4.5 million for the Fundy Tidal Energy Demonstration Project was offset by \$3.2 million transfer from Eco Nova Scotia for clean Air and Climate Change.

Environment

The Department of Environment was \$1.8 million or 4.0 per cent under budget due to reduced spending for Environmental Science and Program Management in areas such as Air Quality and Eco Nova Scotia.

Finance

The Department of Finance spent \$3.3 million or 10.8 per cent less than budget. This was primarily due to savings from staff vacancies and departmental operations, as well as amortization savings from changes in the estimated ready-for-use dates for 2010 Tangible Capital Asset projects.

Fisheries and Aquaculture

The Department of Fisheries and Aquaculture spent \$2.7 million or 23.8 per cent less than budget primarily due to the carryover of \$2.3 million from the 2010 budget year to the 2011 budget year for the Community Development Trust, with a similar reduction in revenue. There was \$0.2 million reduced spending for the Fish Loan Board and \$0.2 million reduced spending for the Salmon Restoration Program.

Health

The Department of Health spent \$53.0 million or 1.6 per cent less than budget. Capital grants were lower by \$22.5 million due to delays in projects; pharmacare costs were under budget by \$1.3 million due to lower than anticipated utilization; and payments to physicians were \$6.1 million less than budget due to lower than expected utilization in fee for service. Home Care spent \$2.2 million less than budget mainly due to delays in implementation of new strategic framework initiatives. Long-term Care was under spent by \$13.7 million due to delays in opening new beds, savings in emergency capital projects, and accommodation costs. Other savings included \$6.6 million in project costs and amortization due to the delay in the SHARE (IT) project, and \$1.0 million for operating costs related to TCA Wait Time projects. There were also savings in a number of other program areas as well as staff vacancies.

Savings were partially offset by spending of \$11.2 million more than budget for grants to District Health Authorities for wage and operational pressures.

Health Promotion and Protection

The Department of Health Promotion and Protection's actual expenses were \$4.0 million or 4.5 per cent less than budget. The H1N1 outbreak took the attention of departmental resources resulting in the delay in the HPV vaccination program and the Panorama IT project which accounted for \$2.0 million of the under spending. Other savings in the department included \$0.6 million from a reduction of vaccines and a vaccine inventory adjustment, \$0.4 million in gambling program funding due to a reduction in gambling revenues, and \$0.1 million in the Addiction Services Drug Treatment project due to late start up by the Federal government. In addition, there were savings from vacancies and other departmental operational costs.

Justice

The Department of Justice spent \$3.7 million or 1.3 per cent less than budget. Savings achieved in vacancy management and operational efficiencies more than offset spending increases incurred during the year. Additional spending for professional services and equipment included increased costs in Correctional Services, Nova Scotia Legal Aid, and the Fatalities Investigation Unit.

Labour and Workforce Development

The Department of Labour and Workforce Development spent \$14.5 million or 9.0 per cent less than budget. Program grants for the Labour Market Agreement, Labour Market Partnerships, Skills Development, and the Targeted Initiative for Older Workers were under spent by \$9.3 million. These programs were transferred from the Federal Government and were not fully operational until late in the year. Operating expenses were under budget by \$5.4 million primarily due to vacancies and other operational efficiencies across the department.

Natural Resources

The Department of Natural Resources spent \$0.9 million or 1.0 per cent more than budget. Spending increases of \$0.8 million for Forest Protection, \$0.6 million for Park Development, and \$0.4 million related to Regional Offices were partially offset by cost savings related to vacancies and other operational efficiencies across the department.

Public Service

In total, the Public Service was \$1.3 million or 0.7 per cent over budget. The significant variances within this appropriation include the following:

Emergency Management Office

The Emergency Management Office spent \$4.5 million or 75.0 per cent more than budget. Spending increases were related to the Disaster Assistance Program \$3.6 million and the Search and Rescue New Initiative Fund (SARNIF) and Joint Emergency Preparedness Program (JEPP) of \$0.8 million. This additional spending was offset by federal recoveries.

Executive Council Office

Executive Council Office spent \$2.1 million or 4.8 per cent less than budget as a result of vacancy management and administrative efficiencies.

Government Contributions to Benefit Plans

Government Contributions to Benefit Plans spent \$3.3 million or 38.6 per cent more than budget due to \$5.5 million additional contributions for benefits and payroll accrual costs partially offset by lower than anticipated WCB contribution costs.

Legislative Services

Legislative Services spent \$4.6 million or 11.6 per cent less than budget. Election Expenses were \$1.6 million less than budget due to growth and awareness initiatives that were delayed as a result of the May election. Legislative Expenses had savings of \$2.1 million due to a reduction in the Technology Fund Program and the MLA monthly allotment for January to March (as per the decision made by the Internal Economy Board). Savings in Ministers' Salaries and Expenses of \$0.3 million due to less Ministers claiming living allowances. The Office of the Speaker, Office of Legislative Counsel, and Government House had savings totaling \$0.7 million as a result of vacancies and operating efficiencies.



Nova Scotia Business Inc.

Actual expenses for Nova Scotia Business Inc. were \$1.1 million or 4.5 per cent over budget as a result of increased requirements for strategic investment funds for payroll rebates.

Public Prosecution Service

Public Prosecution Service spent \$0.7 million or 3.7 per cent more than budget. These expenses were primarily related to an increase in costs for professional services, support staff, and office rent. These increases were partially offset by a \$0.3 million transfer from the Department of Justice.

Seniors

The Department of Seniors spent \$54 thousand less than budget due to savings from staff vacancies and departmental operations.

Service Nova Scotia and Municipal Relations

Service Nova Scotia and Municipal Relations spent \$21.5 million or 7.2 per cent less than budget. Lower than expected expenditures occurred in the following areas: \$15.1 million related to the Building Canada programs, \$4.0 million related to the Heating Assistance Rebate Program, \$5.5 million related to Federal Gas Tax Transfers, \$1.3 million related to Provincial Property Tax grants, and \$1.5 million in other grant programs. The reduction in spending was partially offset by increased spending of \$3.1 million in Municipal Rural Infrastructure Fund projects, \$2.5 million in other special projects, and \$0.3 million increase in operating costs.

Tourism, Culture and Heritage

The Department of Tourism, Culture and Heritage spent \$92 thousand less than budget due to savings from staff vacancies and departmental operations.

Transportation and Infrastructure Renewal

Transportation and Infrastructure Renewal spent \$4.0 million or 1.1 per cent over budget. Increased spending of \$2.3 million on additional recoverable work on roads, buildings and towers, \$1.9 million due to increased amortization costs on highways and buildings, and \$1.6 million in additional road repairs were partially offset by savings of \$0.7 million as a result of Nova Scotia Gateway initiatives starting later than originally anticipated and various savings of \$1.1 million across the department.

Restructuring Costs

Overall, Restructuring Costs were \$19.2 million or 10.8 per cent lower than budget. Actual expenses relating to current and prior year contract settlements were more than anticipated due to some wage settlements that exceeded the original budget. This increase was offset by savings in Business Process Engineering expenses primarily as a result of H1N1 costs being less than expected. Some costs are budgeted in Restructuring and when the actual amounts become available, they are recorded as expenses in other appropriations.

Tangible Capital Assets – Consolidated Fund

The province's policy is to capitalize the gross cost of its tangible capital assets. Recoveries from outside sources are recognized as revenue in the year the asset is purchased. Under the province's tangible capital assets policy, a percentage of the original cost of an asset is charged to expenses in each year of the useful life of the asset. This charge, called amortization, does not commence until the asset is available for use. Departments are required to budget for tangible capital asset purchases and the resulting amortization from the acquisition of these assets.

The cost of the estimated purchases of tangible capital assets is appropriated as the Capital Purchase Requirements, and the departmental details are noted below.

Gross Capital Purchases (\$ thousands)

Department	Estimate 2010	Actual 2010	Variance Increase (Decrease)
Agriculture	880	294	(586)
Community Services	750	—	(750)
Education	182,091	147,204	(34,887)
Environment	1,546	560	(986)
Finance	7,017	6,299	(718)
Fisheries and Aquaculture	96	92	(4)
Health	28,459	25,278	(3,181)
Health Promotion and Protection	376	335	(41)
Labour and Workforce Development	2,130	1,665	(465)
Natural Resources	76,950	78,713	1,763
Public Service	2,344	642	(1,702)
Service Nova Scotia and Municipal Relations	1,157	905	(252)
Tourism, Culture and Heritage	6,293	599	(5,694)
Transportation and Infrastructure Renewal			
Highways and Bridges	325,000	324,869	(131)
Buildings and Infrastructure	39,105	44,904	5,799
Total Gross Capital Purchases	674,194	632,359	(41,835)

Overall, spending for Capital Purchase Requirements was less than budget by \$41.8 million, primarily as a result of under spending on school construction, other building projects, and information technology projects, which was partially offset by additional spending for land purchases.



Amortization
(\$ thousands)

Department	Estimate 2010	Actual 2010	Variance Increase (Decrease)
Agriculture	423	317	(106)
Community Services	1,836	1,836	—
Education	60,954	59,744	(1,210)
Energy	8	7	(1)
Environment	122	96	(26)
Finance	5,037	4,498	(539)
Fisheries and Aquaculture	68	56	(12)
Health	15,958	14,045	(1,913)
Justice	1,332	1,332	—
Labour and Workforce Development	124	94	(30)
Natural Resources	896	804	(92)
Public Service	1,045	628	(417)
Service Nova Scotia and Municipal Relations	2,146	2,018	(128)
Tourism, Culture and Heritage	523	515	(8)
Transportation and Infrastructure Renewal	128,402	129,351	949
Total Amortization	218,874	215,341	(3,533)

This schedule reflects the budget and actual for amortization charged to operations for assets acquired in 2010 and in prior years. The estimate for amortization expense is based on the gross cost of tangible capital assets.

Selected Highlights of the Consolidated Fund

Additional Appropriations

Relative to the Appropriations Act, 2009 for the fiscal year ended March 31, 2010

(\$ thousands)

Res	Appropriation Area	Original Estimate	Additional Approved	Actual	Variance	Additional Appropriations Required
	Departmental Expenses					
1	Agriculture	61,686	9,293	70,978	(1)	—
2	Community Services	945,813		944,934	(879)	—
3	Economic and Rural Development	95,243		73,356	(21,887)	—
4	Education	1,285,147		1,279,285	(5,862)	—
5	Assistance to Universities	455,802		450,359	(5,443)	—
6	Energy	40,090		24,677	(15,413)	—
7	Environment	44,334		42,581	(1,753)	—
8	Finance	30,399		27,123	(3,276)	—
10	Fisheries and Aquaculture	11,350		8,654	(2,696)	—
11	Health	3,422,276		3,369,241	(53,035)	—
12	Health Promotion and Protection	89,031		85,042	(3,989)	—
13	Justice	281,490		277,805	(3,685)	—
14	Labour and Workforce Development	160,859		146,328	(14,531)	—
15	Natural Resources	91,449	925	92,373	(1)	—
16	Chief Information Office	17,543		17,113	(430)	—
17	Communications Nova Scotia	8,843		8,406	(437)	—
18	Emergency Management Office of Nova Scotia	6,007	4,507	10,514	—	—
19	Executive Council	43,489		41,391	(2,098)	—
20	FOIPOP Review Office	400		394	(6)	—
21	Government Contributions to Benefit Plans	8,615	3,328	11,943	—	—
22	Human Rights Commission	2,144		2,124	(20)	—
23	Legislative Services	39,723		35,123	(4,600)	—
24	Nova Scotia Advisory Council on the Status of Women	969		858	(111)	—
25	Nova Scotia Business Inc.	24,505	1,105	25,609	(1)	—
26	Nova Scotia Police Complaints Commissioner	432		429	(3)	—
27	Nova Scotia Securities Commission	2,463		2,139	(324)	—
28	Nova Scotia Utility and Review Board	3,852		3,852	—	—
29	Office of the Auditor General	3,334		3,154	(180)	—
30	Office of the Ombudsman	1,658		1,559	(99)	—
31	Public Prosecution Service	18,725	694	19,418	(1)	—
32	Seniors	1,957		1,903	(54)	—
33	Service Nova Scotia and Municipal Relations	300,194		278,665	(21,529)	—
34	Tourism, Culture and Heritage	63,022		62,930	(92)	—
35	Transportation and Infrastructure Renewal	374,333	3,954	378,286	(1)	—
36	Restructuring Costs	178,817		159,594	(19,223)	—
	Total Departmental Expenses	8,115,994	23,806	7,958,140	(181,660)	—



Additional Appropriations (continued)

Relative to the *Appropriations Act, 2009* for the fiscal year ended March 31, 2010
(\$ thousands)

Res	Appropriation Area	Original Estimate	Additional Approved	Actual	Variance	Additional Appropriations Required
	Other Appropriations					
9	Debt Servicing Costs	889,076		853,216	(35,860)	—
37	Pension Valuation Adjustment	88,990		86,410	(2,580)	—
	Total Other Appropriations	978,066	—	939,626	(38,440)	—

Required Additional Appropriations

	Original Estimate	Additional Approved	Actual	Variance	Additional Appropriations Required
Statutory Capital					
38 Capital Purchase Requirements	674,194		632,359	(41,835)	—
39 Sinking Fund Installments and Serial Retirements	120,454		120,454	—	—
Total Statutory Capital	794,648	—	752,813	(41,835)	—

Required Additional Appropriations

Note: Section 28 (3) of the *Provincial Finance Act* requires that any additional spending authority required must be approved by the Governor-in-Council no later than 90 days after the tabling of the Public Accounts.

Additional Appropriations Approved during 2010

(\$ thousands)

Some additional appropriations were approved subsequent to year end, as indicated in the table above. The details of the additional requests are as follows:

Appropriation Area	Order in Council	Amount
Agriculture	2010-292	9,293
Natural Resources	2010-292	925
Emergency Management Office of Nova Scotia	2010-292	4,507
Government Contributions to Benefit Plans	2010-292	3,328
Nova Scotia Business Inc.	2010-292	1,105
Public Prosecution Service	2010-292	694
Transportation and Infrastructure Renewal	2010-292	3,954
Total		<u>23,806</u>

Debt Review of the Consolidated Fund

In fiscal 2010, the Province of Nova Scotia posted a deficit of \$241.9 million. The net direct debt of the province as of March 31, 2010 was \$13.0 billion, an increase of \$700.3 million from the net direct debt at the end of fiscal 2009. The province's net direct debt to gross domestic product ratio increased to 38 per cent at March 31, 2010, from 36 per cent at March 31, 2009.

Credit Ratings

The Province of Nova Scotia's credit ratings were confirmed by three major credit rating agencies during 2010. During the fiscal year the Dominion Bond Rating Service maintained the outlook on its "A" rating of the province's long term debt as "positive". Moody's Investor Services Inc. continued with a stable outlook while Standard and Poor's removed a positive outlook on their ratings of the province's debt. The following table details Nova Scotia's current ratings relative to its provincial peers.

Credit Ratings as at July 15, 2010

Province	Moody's Investors Service Inc.	Standard and Poor's	Dominion Bond Rating Service
Nova Scotia	Aa2	A+	A
Newfoundland and Labrador	Aa2	A	A
Prince Edward Island	Aa2	A	A (low)
New Brunswick	Aa2	AA-	A (high)
Quebec	Aa2	A+	A (high)
Ontario	Aa1	AA-	AA (low)
Manitoba	Aa1	AA	A (high)
Saskatchewan	Aa1	AA+	AA
Alberta	Aaa	AAA	AAA
British Columbia	Aaa	AAA	AA (high)
Canada	Aaa	AAA	AAA

Capital Markets Issuance Initiatives

The province borrows funds in capital markets on an on-going basis to refinance maturing debt, fund the budgetary deficit and the net acquisition of tangible capital assets, and to on-lend monies to crown corporations. In broad terms, budgetary deficits act to increase the annual borrowing requirements, while surpluses serve to reduce the province's borrowing needs. However, the relationship is not exact as there may be a number of cash flow timing differences.

The province maintains the ability to borrow funds for future requirements should financial market conditions be favourable to do so, or may postpone borrowing in term debt markets if financial market conditions are unfavourable. The province maintains discretionary sinking funds in the form of a pool of liquid assets to assist in the refinancing of maturing debt. Pre-borrowing for future years may add to the level of those funds. These discretionary sinking funds can only be used to repay debt.

The Province of Nova Scotia borrowed \$1,835.2 million in long-term debt in 2010. This amount was slightly below the budget estimate of \$1,968.0 million, but given the improvement in the budgetary situation in 2010, resulted in pre-borrowing for future years.



The province's 2010 long-term borrowing program was completed through the issuance of three domestic public issues totaling \$1,150.0 million, \$600.0 million issued under the province's medium term note program and through the roll-over of an \$85.2 million debt issue with Canada Pension Plan Investment Board. The province maintains access to a diversity of borrowing sources, both domestic and international. This access is a key factor in maintaining a broad demand for Nova Scotia debt issues and achieving lower borrowing costs.

Financial Risk Management

Foreign Currency Risk

In order to more fully access global capital markets, the Province of Nova Scotia maintains the ability to borrow in currencies other than the Canadian dollar. The province did not access these markets during the 2010 fiscal year.

The province has mitigated its exposure to foreign currency debt in recent years through the active use of derivatives where appropriate or opportune and by the accumulation of US dollar-denominated assets held in sinking funds to offset outstanding US dollar issues. As at March 31, 2010, the province's debt continued to have no exposure to foreign currencies. This variable was unchanged as compared to March 31, 2009.

The province's sinking funds held no assets in US dollars as at March 31, 2010, other than the province's own US dollar denominated bonds. These funds were therefore not subject to net foreign exchange fluctuations.

GAAP requires that all financial amounts in the financial statements be presented in Canadian dollars. Conversion of un-hedged foreign currency amounts outstanding is calculated annually at March 31. That conversion results in a foreign currency gain or loss from year to year as the currency exchange rates fluctuate. As described in Note 1(c) on page 84, the foreign exchange gains or losses on long-term financial items are amortized over the remaining life of the related item. At March 31, 2010, unamortized foreign exchange was a net gain to the province of \$193.5 million.

Interest Rate Risk

As a net debtor in financial markets, the province is exposed to the risks posed by movements in interest rates. The province is exposed to interest rate risk as maturing debenture issues are refinanced at current market rates. Some exposure to fluctuating short-term rates is maintained in the debt portfolio to lower expected debt servicing costs. The province has policies in place that set exposure limits on interest rate risk. Control is maintained over this exposure through the active management by the province of its gross debt and asset portfolios.

The debt portfolio's exposure to floating interest rates increased to 10.6 per cent for the fiscal year ended March 31, 2010 (up from 5.0 per cent at March 31, 2009). The province is able to exercise control of this variable in the portfolio by maintaining access to capital markets and through the use of derivatives. With 89.4 per cent of the total principal in fixed interest rate form (down from 95.0 per cent at March 31, 2009), there is expected to be a significant degree of stability in debt servicing costs in coming years. At March 31, 2010, the average term to maturity of the gross debt portfolio stood at 11.4 years, 0.4 year longer than a year earlier.

Debt Servicing Costs – Consolidated Fund

Net debt servicing costs of the Consolidated Fund in fiscal 2010 were \$761.0 million, an increase of \$10.8 million from the previous year and \$36.4 million lower than estimate. The increase over the previous year was primarily due to an increase in the interest costs associated with pensions, retirement and other obligations and lower earnings on sinking fund assets. Contributing to the reduction from estimate was lower than projected interest costs realized on the province's borrowings.

Net Debt Servicing Costs (\$ thousands)

	Estimate 2010	Actual 2010	Actual 2009 (as restated)	Actual vs Estimate Increase (Decrease)
Interest on Long-Term Debt	693,270	658,844	681,679	(34,426)
General Interest	34,291	33,909	48,351	(382)
Interest on Pension, Retirement and Other Obligations	161,515	160,463	136,611	(1,052)
Gross Debt Servicing Costs	889,076	853,216	866,641	(35,860)
Less: Sinking Fund Earnings	91,623	92,188	116,384	565
Net Debt Servicing Costs	797,453	761,028	750,257	(36,425)

Debenture Debt

The Consolidated Fund's net debenture debt (outstanding debentures less sinking funds and Public Debt Retirement Fund assets) was \$10.8 billion in Canadian dollar equivalent as at March 31, 2010.

The Province of Nova Scotia provides sinking fund installments for certain term debt issues. Annual sinking fund installments generally range from 1.0 per cent to 3.0 per cent of the original issue, but may vary slightly from year to year based on actual and anticipated rates of return on sinking fund assets. Installments are designed to fully fund the issue over the life of the issue. Sinking funds are treated as trust funds and are used solely for debt retirement.

Outstanding Debentures – (CDN\$ Equivalents) (\$ millions)

	Actual 2010	Actual 2009
Debentures Payable in Canadian Dollars		
Canada Pension Plan Investment Fund	1,079	1,079
Other Issues	11,931	10,754
Less: Sinking Funds and Public Debt Retirement Fund	(2,204)	(2,212)
Net Debenture Debt	10,806	9,621



Borrowing Powers

Long-term debt issued by way of debentures and medium-term notes is subject to a legislative authority to borrow through the *Appropriations Act*. Unused portions of these authorities carry forward to be used in future years. In fiscal 2010, the province borrowed (face value) \$1,835.2 million in long-term debentures, which were applied to authority remaining from 2009 and granted in the 2010 fiscal year.

Statement of Borrowing Powers

As at March 31, 2010

(\$ thousands)

	2010	2009
Balance of Authority from Previous Fiscal Years	896,073	1,379,523
<i>Appropriations Act, 2008</i>		1,000,000
<i>Appropriations Act, 2009</i>	2,000,000	
Total Authority at Beginning of the Fiscal Year	2,896,073	2,379,523
Less: Authority Used in the Previous Fiscal Year		1,483,450
Less: Authority Used in the Current Fiscal Year		
Debenture Series D2	500,000	
Debenture Series D3	400,000	
Debenture Series D3	250,000	
Debenture Series CP46	85,218	
Promissory Note P107	250,000	
Promissory Note P107	100,000	
Promissory Note P108	250,000	
Balance of Authority at end of fiscal year	1,060,855	896,073

Additional Borrowing Powers

Cape Breton Industrial Assistance Act, Chapter 60, R.S.N.S. 1989

Housing Act, Chapter 211, R.S.N.S. 1989

Housing Development Corporation Act, Chapter 213, R.S.N.S. 1989

Municipal Finance Corporation Act, Chapter 301, R.S.N.S. 1989

Sydney Steel Corporation Act, Chapter 456, R.S.N.S. 1989

The Economy

Unless otherwise indicated, the analysis included in The Economy section is based on the calendar year, not the fiscal year.

Economic Indicators

Economic indicators for the calendar year 2009 form the basis of the following discussion for the year ended March 31, 2010. The data for both 2009 and 2010 are primarily forecasts prepared by the Nova Scotia Department of Finance except where actual data have become available from Statistics Canada. The 2010 forecast is provided without any further analysis, for information purposes only.

	2005	2006	2007	2008	2009 (forecast)	2010 (forecast)
(\$ millions)						
Gross Domestic Product at Market Prices	31,199	31,743	32,933	34,188	33,831	35,335
Annual % Change	4.5%	1.7%	3.7%	3.8%	-1.0%	4.4%
(chained 2002 \$ millions)						
Gross Domestic Product at Market Prices	28,016	28,254	28,598	29,215	29,261	29,816
Annual % Change	1.1%	0.8%	1.2%	2.2%	0.2%	1.9%
(\$ millions)						
Personal Income	26,638	27,656	28,941	30,021	30,184	30,828
Annual % Change	4.9%	3.8%	4.6%	3.7%	0.5%	2.1%
Consumer Price Index (2002=100)						
Nova Scotia	108.2	110.4	112.5	115.9	115.7 (a)	117.6
Annual % Change	2.8%	2.0%	1.9%	3.0%	-0.2%	1.6%
Population (000s) (measured as at July 1)	938	938	936	937	938	937

Notes:

(a) - Statistics Canada actual

Sources: Statistics Canada, Provincial Economic Accounts, Cat. No. 13-213-PPB
 Statistics Canada Quarterly Demographics Statistics, Cat. No. 91-002-X
 Statistics Canada, The Consumer Price Index, Cat. No. 62-001-X
 Nova Scotia Department of Finance



Economic Performance

Output

Detailed final results on Nova Scotia's economic performance in 2009 will be available this fall from Statistics Canada.

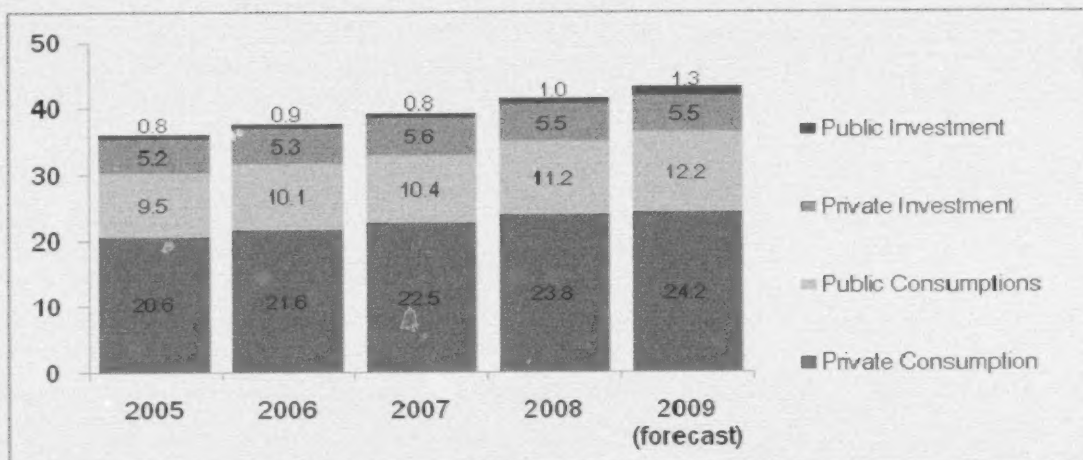
The Department of Finance estimates that Nova Scotia's real GDP at market prices advanced 0.2 per cent in 2009, following a 2.2 per cent growth in 2008. Growth in 2009 was mostly driven by government capital investment. GDP inflation, estimated at negative 1.2 per cent, was less than in the previous year. In 2008, GDP inflation increased 1.6 per cent due to an increase in commodity prices. This trend is anticipated to reverse in 2009 due to slow demand during the 2008 and 2009 global recession. Nominal GDP growth in 2009 is expected to be negative 1.0 per cent, following an increase of 3.8 per cent growth in 2008.

Final domestic demand is estimated to have increased by 4.2 per cent in 2009. This growth was mainly supported by an anticipated 35.1 per cent increase in government capital investments. Growth in consumer spending is estimated to have increased 1.6 per cent in 2009, reflecting retail sales growth of 0.1 per cent.

Nova Scotia Final Domestic Demand

2005 to 2009

(\$ millions)



Source: Statistics Canada, Provincial Economic Accounts, Cat. No. 13-213-PPB

Capital investments are expected to remain steady for 2009 due to an increase in public investments. Business capital investments are estimated to have increased 0.1 per cent in 2009. The increases in investment in non-residential structures and machine and equipment are projected to offset declines in investment in residential structures.

Corporation profits before taxes are projected to have retreated 29.5 per cent in 2009, in conjunction with sharp decreases in exports and softer commodity prices during the global recession.

The Consumer Price Index for Nova Scotia decreased 0.2 per cent in 2009. Lower fuel oil and gasoline prices more than offset increases in electricity, food, alcohol, and tobacco in Nova Scotia in 2009.

Exports of goods and services are estimated to have fallen 24.4 per cent in 2009 resulting from a decline in export demand from the United States. Natural gas, accounting for the largest share of exports, decreased by 57.3 per cent in 2009.

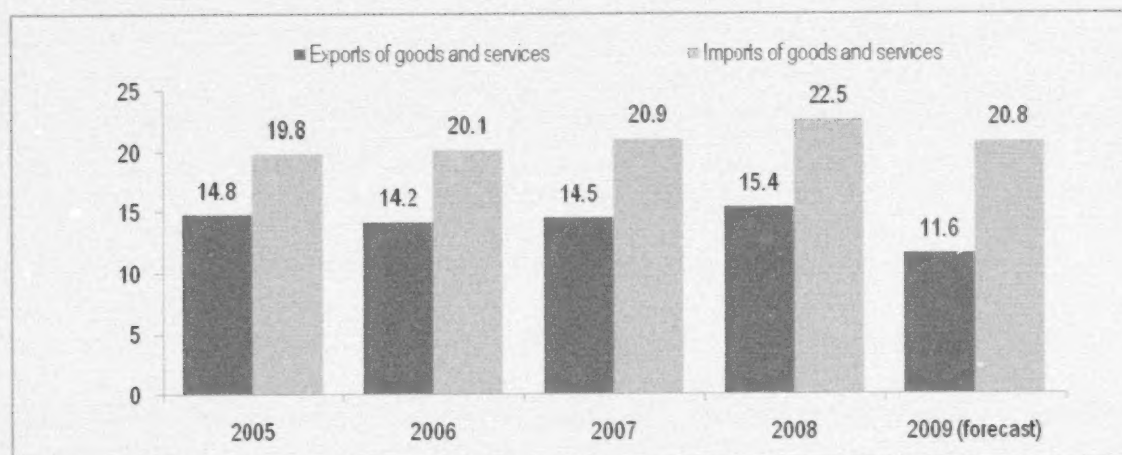
Exports to other countries are projected to account for just under one half, or 46.7 percent, of total exports in 2009. Exports of goods, accounting for 70.8 percent of total exports to other countries, are projected to decrease 36.0 percent, while exports of services are anticipated to remain unchanged from 2008.

Nova Scotia Exports and Imports of Goods and Services

(Including interprovincial exports and imports)

2005 to 2009

(\$ millions)



Source: Statistics Canada, Provincial Economic Accounts, Cat. No. 13-213-PPB



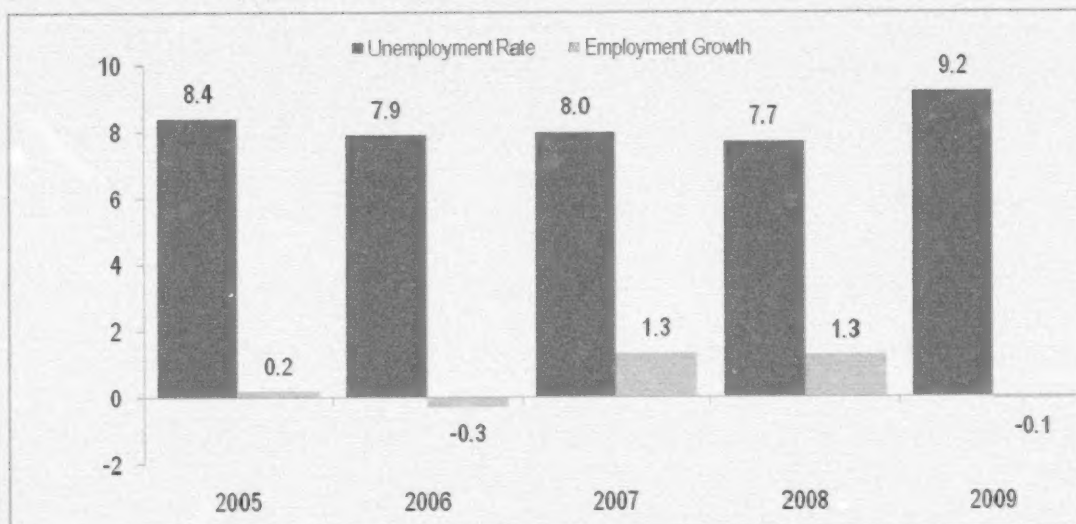
Labour Markets

In 2009, employment fell while the labour force grew, resulting in a higher unemployment rate. The number of people active in the labour market in 2009 increased by 1.6 per cent, while employment decreased 0.1 per cent. The end result was a 1.5 percentage point increase in the unemployment rate to 9.2 per cent. This is the highest level since 2002.

Unemployment Rate

2005 to 2009

(Per cent)



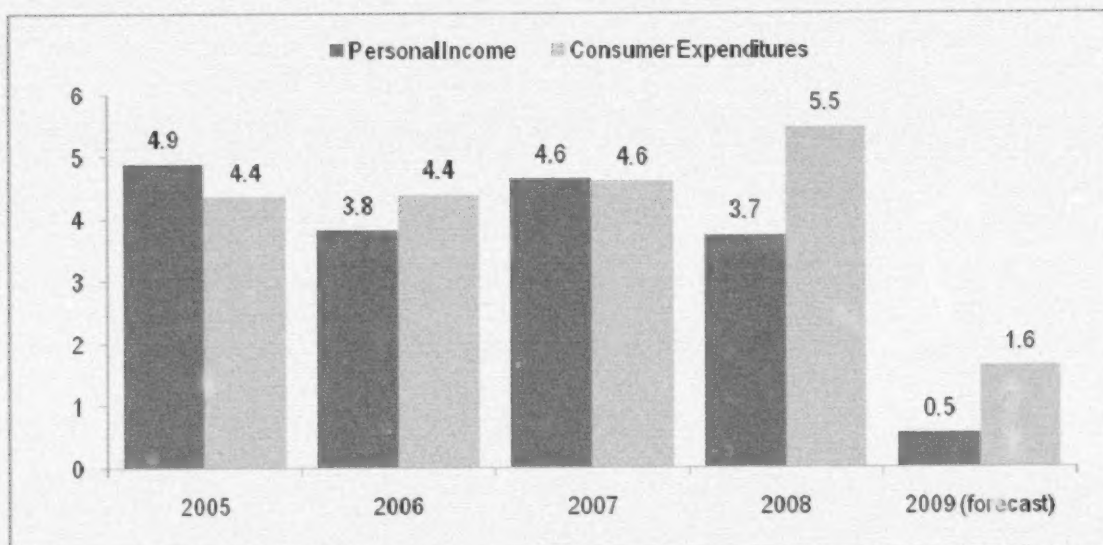
Source: Statistics Canada, 2008 Labour Force Historical Review, Cat. No. 71F0004XVB, March 2010.

Consumer Spending and Income

Consumer spending is estimated to have increased 1.6 per cent (nominal dollars) in 2009. Through the downturn, spending was supported by a slight increase in personal income, steady employment, along with low interest rates. As a result of softer consumer demand, retail sales increased slightly (0.1 per cent) in 2009.

Personal income had an anticipated increase of 0.5 per cent in 2009. This was supported by a 1.9 per cent increase in labour income. This labour income growth reflects wage increases of 2.3 per cent and the 0.1 per cent decrease in employment.

Personal Income Growth and Consumer Expenditures 2005 to 2009 (Per cent)



Source: Statistics Canada, Provincial Economic Accounts, Cat. No. 13-213-P



Industry Employment Performance

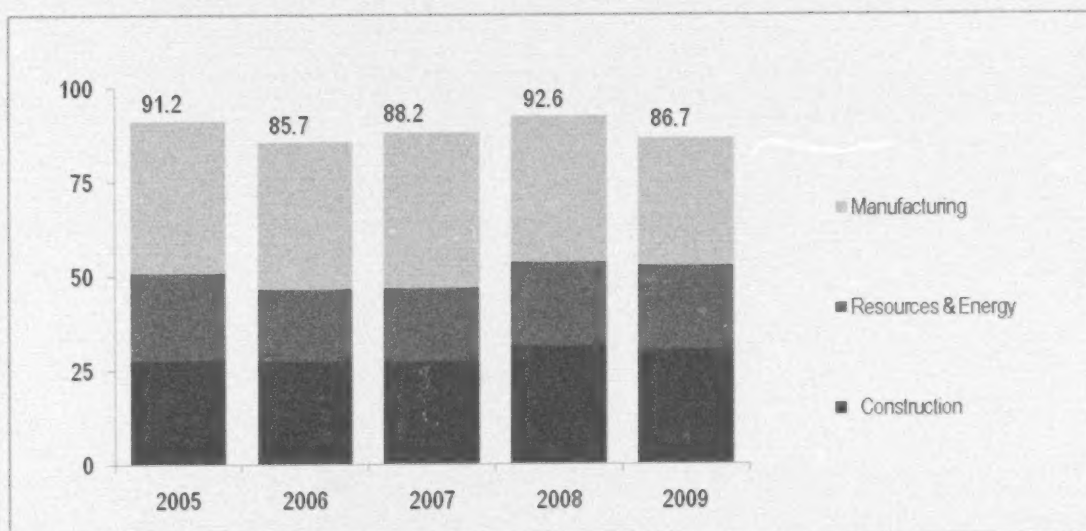
Goods Industries

Employment in goods-producing industries decreased 6.4 per cent in 2009. This decline followed a 5.0 per cent growth in employment in 2008, and 2.9 per cent in 2007. The decline in 2009 reflects the downward trend in exports from the global recession. Employment in goods-producing industries accounted for 19.1 per cent of the total employment in the Nova Scotia economy in 2009.

Employment by Goods Industries

2005 to 2009

(Thousands of persons)



Source: Statistics Canada, 2008 Labour Force Historical Review Cat. No.71F0004X, March 2009.

The construction sector saw employment decrease 2.9 per cent. Employment growth in the manufacturing sector declined 13.6 per cent, while manufacturing shipments decreased 15.2 per cent. Employment in the agriculture sector increased 4.7 per cent while employment in forestry sectors decreased 33.3 per cent. The fishing sector increased 12.1 per cent in 2009 following declines in 2006, 2007, and 2008. Employment in the mining, oil, and gas extraction sector increased 11.1 per cent in 2009, reflecting offshore natural gas development.

Service Industries

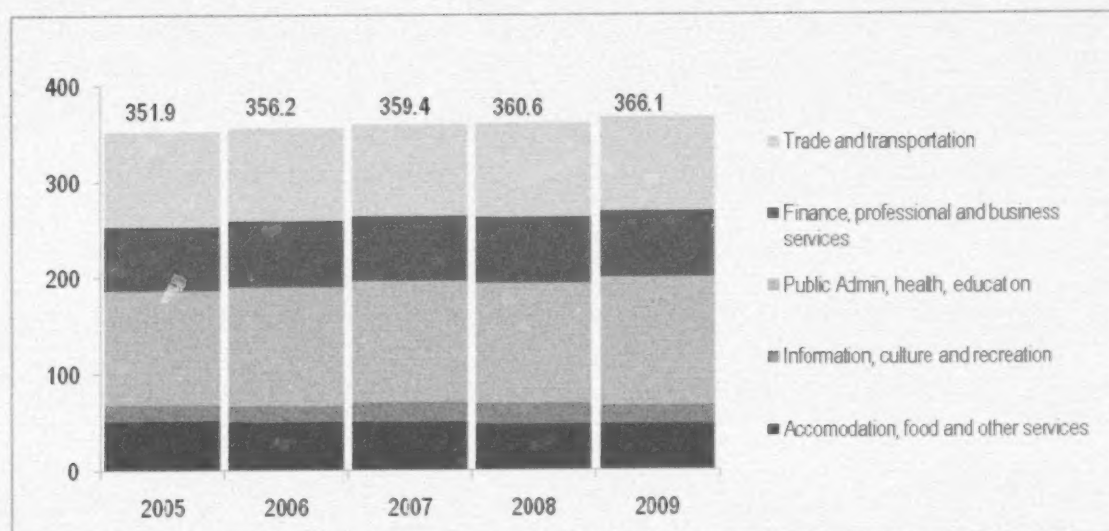
Nova Scotia is predominantly a service-sector economy, with 80.9 per cent of its total employment being in the service sector in 2009. The number of service sector employees increased by 1.5 per cent to 366,100 in 2009.

The trade sector (retail and wholesale) is the largest sector, with 20.9 per cent of total employment in the service industries. Employment in this sector experienced an overall decrease of 3.3 per cent in 2009, with wholesale trade and retail trade decreasing at 1.4 and 3.5 per cent, respectively. The health care and social assistance services sector is the next largest component of the services sector, with 17.2 per cent of total service sector employment in 2009. Employment in the health care and social assistance sector increased by 3.8 per cent in 2009.

Employment by Service Industries

2005 to 2009

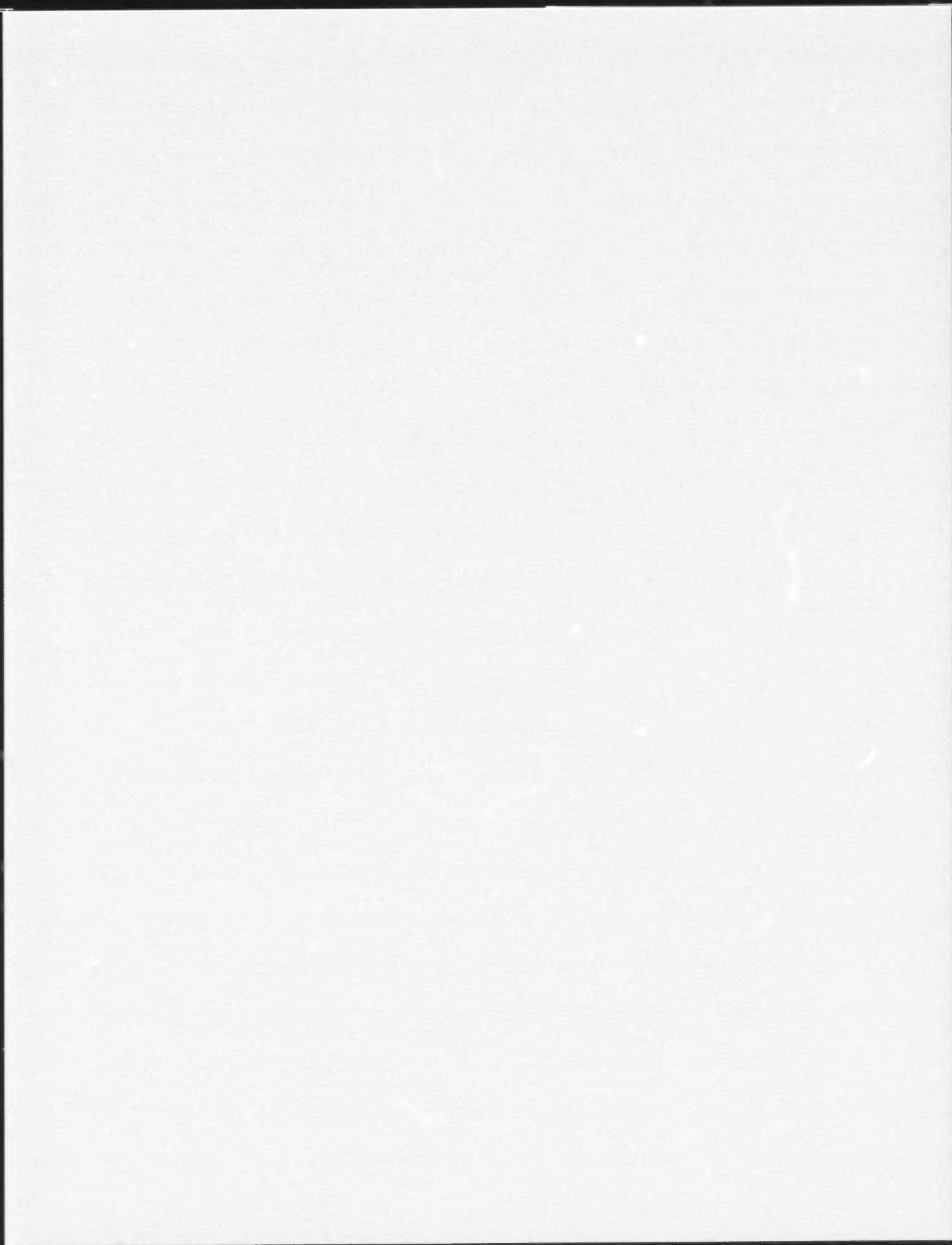
(Thousands of persons)



Source: Statistics Canada, 2008 Labour Force Historical Review, Cat. No. 71F0004XVB, March 2010.

The largest sector growth rate in employment in 2009 was in the educational services sector which increased by 11.5 per cent. Increases were also experienced in the following sectors: transportation and warehousing by 10.8 per cent; professional, scientific and technical services by 6.6 per cent; public administration by 5.6 per cent; finance, insurance, real estate and leasing by 4.5 per cent; and other services by 0.5 per cent.

The greatest decline of employment by sector in 2009 was in business, building and other support services (including call center employment) at a rate of 9.7 per cent. Decreases were also experienced in the following sectors: information, culture and recreation by 7.6 per cent; trade (wholesale and retail) by 3.3 per cent; and accommodation and food services by 0.3 per cent.



Consolidated Financial Statements

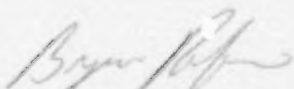


Statement of Responsibility for the Consolidated Financial Statements of the Province of Nova Scotia

Responsibility for the integrity, objectivity and fair presentation of the consolidated financial statements of the Province of Nova Scotia rests with the government. These financial statements are prepared on behalf of the Minister and Deputy Minister of Finance by the Controller in accordance with the accounting principles recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA and International Federation of Accountants accounting standards or pronouncements.

The consolidated financial statements include a Consolidated Statement of Financial Position, a Consolidated Statement of Operations and Accumulated Deficits, a Consolidated Statement of Change in Net Direct Debt, and a Consolidated Statement of Cash Flow. They present fairly, in all material respects, the financial position and the results of operations for the year ended. The government is responsible for maintaining a system of internal accounting and administrative controls in order to provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded, and financial records are properly maintained.

Under the mandate in section 9 of the Auditor General Act, the Auditor General of Nova Scotia provides an independent opinion on the consolidated financial statements prepared by the government.



Byron Rafuse, CMA
Controller and Associate Deputy Minister





Office of the Auditor General

1100 Brunswick Street, Suite 300
Halifax, Nova Scotia
B3A 2S6, Canada

403-424-2013 ext.
1020/21-4110/01
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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia

I have audited the consolidated statement of financial position of the Province of Nova Scotia as at March 31, 2010 and the consolidated statements of operations and accumulated deficits, change in net direct debt and cash flow for the year then ended. These statements are the responsibility of the Government of Nova Scotia, represented by the Minister of Finance. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Province of Nova Scotia as at March 31, 2010 and the results of its operations, changes in net direct debt and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for the public sector.

Jacques R. Lapointe, CA
Auditor General

Halifax, Nova Scotia
June 30, 2010

Consolidated Financial Statements

Statement 1

Consolidated Statement of Financial Position

As at March 31, 2010

(\$ thousands)

	2010	2009 (as restated)
Financial Assets		
Cash and Short-Term Investments (Note 3)	781,442	968,806
Accounts Receivable and Advances	938,404	866,679
Inventories for Resale	3,824	3,851
Loans Receivable (Schedule 3)	1,639,249	1,304,299
Investments (Schedule 3)	63,314	51,408
Investment in Government Business Enterprises (Schedule 6)	52,728	40,520
	<u>3,478,961</u>	<u>3,235,563</u>
Liabilities		
Bank Advances and Short-Term Borrowings	442,573	613,866
Accounts Payable and Accrued Liabilities	1,603,756	1,498,846
Deferred Revenue (Note 4)	669,077	922,355
Accrued Interest	198,189	205,923
Unmatured Debt of Governmental Units (Schedule 4)	11,372,026	10,224,246
Unamortized Foreign Exchange Translation Gains, Premiums and Discounts	172,227	221,614
Federal Equalization Repayable Loan (Note 6)	72,193	84,225
Pension, Retirement and Other Obligations (Note 7)	1,967,476	1,782,727
	<u>16,497,517</u>	<u>15,553,802</u>
Net Direct Debt	<u>(13,018,556)</u>	<u>(12,318,239)</u>
Non-Financial Assets		
Tangible Capital Assets (Schedule 7)	4,522,719	4,070,380
Inventories of Supplies	62,430	56,504
Prepaid Expenses	30,623	30,495
	<u>4,615,772</u>	<u>4,157,379</u>
Accumulated Deficits	<u>(8,402,784)</u>	<u>(8,160,860)</u>
Trust Funds under Administration (Note 8)	3,639,510	3,061,481
Accounting Changes (Note 2)		
Contingencies and Contractual Obligations (Note 12)		
Subsequent Events (Note 13)		
Comparative Figures (Note 14)		

The accompanying notes and schedules are an integral part of these Financial Statements



Statement 2

Consolidated Statement of Operations and Accumulated Deficits

For the fiscal year ended March 31, 2010

(\$ thousands)

	Estimate 2010	Actual 2010	Actual 2009 (as restated)
Revenue (Schedule 1)			
Provincial Sources	4,295,208	4,849,920	4,951,010
Federal Sources	3,115,169	3,184,368	2,956,451
Prior Years' Adjustments - Federal/Provincial Fiscal Arrangements	—	48,234	61,534
Other Revenue	1,212,472	736,224	750,782
Sinking Fund and Public Debt Retirement Fund Earnings	91,623	92,188	116,384
Total Revenue	8,714,472	8,910,934	8,836,161
Expenses (Schedule 2)			
Agriculture	64,094	71,321	67,239
Community Services	1,020,009	941,186	906,088
Economic and Rural Development	116,674	128,824	139,392
Education	1,614,084	1,654,183	1,630,696
Assistance to Universities	455,802	450,359	485,468
Energy	44,920	31,282	38,789
Environment	94,134	82,588	72,852
Finance	47,802	62,943	57,913
Fisheries and Aquaculture	11,350	8,930	7,571
Health	3,530,898	3,557,162	3,418,279
Health Promotion and Protection	52,345	43,695	41,573
Justice	281,523	276,187	261,779
Labour and Workforce Development	142,755	127,268	57,513
Natural Resources	94,315	93,949	92,659
Public Service	190,675	173,102	157,106
Seniors	1,957	1,903	1,693
Service Nova Scotia and Municipal Relations	301,869	278,499	244,591
Tourism, Culture and Heritage	65,950	63,793	63,404
Transportation and Infrastructure Renewal	375,323	378,834	381,475
Restructuring Costs	178,817	133,967	72,208
Pension Valuation Adjustment	88,990	86,410	85,066
Gain on Disposal of Crown Assets	—	(14,943)	(1,076)
Debt Servicing Costs (Note 10)	889,076	880,147	887,490
Total Expenses (Note 9)	9,663,362	9,511,589	9,169,768
Deficit from Governmental Units	(948,890)	(600,655)	(333,607)
Net Income from Government Business Enterprises (Schedule 6)	356,797	358,731	359,580
Provincial Surplus (Deficit)	(592,093)	(241,924)	25,973
Accumulated Deficits, Beginning of Year			
As Previously Reported		(8,167,132)	(8,186,833)
Accounting Changes (Note 2)		6,272	—
As Restated		(8,160,860)	(8,186,833)
Accumulated Deficits, End of Year		(8,402,784)	(8,160,860)

The accompanying notes and schedules are an integral part of these Financial Statements

Statement 3

Consolidated Statement of Change in Net Direct Debt

For the fiscal year ended March 31, 2010

(\$ thousands)

	Estimate 2010	Actual 2010	Actual 2009 (as restated)
Net Direct Debt, Beginning of Year			
As Previously Reported	(12,318,239)	(12,323,508)	(12,114,763)
Accounting Changes (Note 2)	—	5,269	(1,283)
As Restated	(12,318,239)	(12,318,239)	(12,116,046)
Changes in the Year*			
Provincial Surplus (Deficit)	(592,093)	(241,924)	25,973
Acquisition of Tangible Capital Assets	(674,194)	(774,988)	(503,627)
Amortization of Tangible Capital Assets	218,874	312,578	280,864
Disposals and Adjustments to Tangible Capital Assets	—	10,071	3,727
Increase in Inventories of Supplies	—	(5,926)	(4,473)
Increase in Prepaid Expenses	—	(128)	(4,657)
Total Changes in the Year	(1,047,413)	(700,317)	(202,193)
Net Direct Debt, End of Year	(13,365,652)	(13,018,556)	(12,318,239)

*Except for the Provincial Surplus figure, the estimates for items shown as *Changes in the Year* reflect the activity of the Consolidated Fund only.



Consolidated Statement of Cash Flow
For the fiscal year ended March 31, 2010
(\$ thousands)

	2010	2009 (as restated)
Cash Inflow (Outflow) from the following activities:		
Operating:		
Provincial Surplus (Deficit)	(241,924)	25,973
Sinking Fund and Public Debt Retirement Fund Earnings	(92,188)	(116,384)
Foreign Exchange Amortization	(4,685)	1,295
Amortization of Tangible Capital Assets	312,578	280,864
Net Income from Government Business Enterprises	(358,731)	(359,580)
Profit Distributions from Government Business Enterprises	346,523	345,886
Loss on Disposal of Tangible Capital Assets	(13,137)	2,450
Net Change in Other Items (Note 11)	(220,398)	(201,249)
	(271,962)	(20,745)
Investing:		
Repayment of Loans	235,825	211,577
Advances and Investing	(582,681)	(384,142)
	(346,856)	(172,565)
Capital:		
Acquisition of Tangible Capital Assets	(774,988)	(503,627)
Proceeds from Disposal of Tangible Capital Assets	23,208	1,277
	(751,780)	(502,350)
Financing:		
Debentures Issued	1,881,165	1,541,909
Repayment of Federal Equalization Repayable Loan	(12,032)	(12,033)
Foreign Currency Swaps and Adjustments	(32,855)	(20,556)
Sinking Fund (Installments) Withdrawals	99,681	(63,688)
Repayment of Debentures and Other Long-term Obligations	(752,725)	(391,164)
	1,183,234	1,054,468
Cash (Outflows) Inflows	(187,364)	358,808
Cash Position, Beginning of Year	968,806	609,998
Cash Position, End of Year	781,442	968,806
Cash Position Represented by:		
Cash and Short-Term Investments	781,442	968,806

Schedule 1

Revenue

For the fiscal year ended March 31, 2010

(\$ thousands)

	2010	2009 (as restated)
Provincial Sources		
Income Taxes	2,210,468	2,170,891
Sales Taxes	1,650,411	1,580,929
Petroleum Royalties	125,634	451,795
Other Provincial Revenue	863,407	747,395
	<u>4,849,920</u>	<u>4,951,010</u>
Federal Sources		
Equalization Payments	1,464,935	1,464,935
Canada Health and Social Transfers	1,002,115	965,797
Crown Share	79,386	95,114
Other Federal Payments	637,932	430,605
	<u>3,184,368</u>	<u>2,956,451</u>
Prior Years Adjustments - Federal/Provincial Fiscal Arrangements		
Provincial Sources	54,065	53,904
Federal Sources	(5,831)	7,630
	<u>48,234</u>	<u>61,534</u>
Other Revenue	736,224	750,782
Sinking Fund and Public Debt Retirement Fund Earnings	92,188	116,384
Total Revenue	<u>8,910,934</u>	<u>8,836,161</u>



Schedule 2

Expenses

For the fiscal year ended March 31, 2010
(\$thousands)

	2010	2009 (as restated)
Agriculture		
Department of Agriculture	67,722	63,224
AgraPoint International Inc.	2,910	3,245
AgriTECH Park Incorporated	689	770
	<u>71,321</u>	<u>67,239</u>
Community Services		
Department of Community Services	803,747	805,374
Nova Scotia Housing Development Corporation	137,439	100,714
	<u>941,186</u>	<u>906,088</u>
Economic and Rural Development		
Department of Economic and Rural Development	62,010	76,644
Bioscience Enterprise Centre Incorporated	483	624
Film Nova Scotia	3,587	4,089
Nova Scotia Business Inc.	29,816	29,293
Nova Scotia Innovation Corporation	7,571	7,331
Nova Scotia Strategic Opportunities Fund Incorporated	1,174	446
Trade Centre Limited	16,905	17,787
Waterfront Development Corporation Limited	7,278	3,178
	<u>128,824</u>	<u>139,392</u>
Education		
Department of Education	276,019	286,086
Annapolis Valley Regional School Board	128,751	124,762
Cape Breton Victoria Regional School Board	160,727	151,344
Chignecto-Central Regional School Board	191,918	189,318
Conseil scolaire acadien provincial	52,895	50,198
Halifax Regional School Board	417,788	414,848
Nova Scotia Community College	197,189	182,835
Nova Scotia School Boards Association	1,328	622
Nova Scotia School Insurance Exchange	2,407	2,797
Nova Scotia School Insurance Program Association	796	743
P3 Schools Capital and Technology Refresh Fund	133	95
Scotia Learning Technology Refresh Fund	—	104
South Shore Regional School Board	73,365	73,143
Strait Regional School Board	84,931	87,541
Tri-County Regional School Board	65,936	66,260
	<u>1,654,183</u>	<u>1,630,696</u>
Assistance to Universities	<u>450,359</u>	<u>485,468</u>
Energy		
Department of Energy	9,367	15,854
Conserve Nova Scotia	20,084	20,245
Nova Scotia Market Development Initiative Fund	1,721	2,559
Pengrowth Nova Scotia Energy Scholarship Fund	110	131
	<u>31,282</u>	<u>38,789</u>

Schedule 2

Expenses (continued)

For the fiscal year ended March 31, 2010

(\$ thousands)

	2010	2009 (as restated)
Environment		
Department of Environment	37,751	27,887
Resource Recovery Fund Board Incorporated	44,837	44,965
	82,588	72,852
Finance		
Department of Finance	28,290	26,955
Nova Scotia Pension Agency	26,000	23,341
Nova Scotia Utility and Review Board	8,594	7,824
Sydney Steel Corporation	—	116
3052155 Nova Scotia Limited	59	(323)
	62,943	57,913
Fisheries and Aquaculture		
Department of Fisheries and Aquaculture	8,654	7,311
Nova Scotia Sportfish Habitat Fund	276	260
	8,930	7,571
Health		
Department of Health	1,604,761	1,575,204
Annapolis Valley District Health Authority	124,158	118,000
Cape Breton District Health Authority	257,804	260,678
Capital District Health Authority	772,770	723,078
Colchester East Hants Health Authority	74,730	67,024
Cumberland Health Authority	62,590	57,242
Guysborough Antigonish Strait Health Authority	80,029	72,056
Izaak Walton Killam Health Centre	237,855	221,455
Nova Scotia Health Research Foundation	5,343	6,443
Pictou County Health Authority	74,497	69,835
Provincial Drug Distribution Program	79,415	78,435
South Shore District Health Authority	83,753	73,338
South West Nova District Health Authority	99,457	95,491
	3,557,162	3,418,279
Health Promotion and Protection		
Department of Health Promotion and Protection	43,120	40,969
Nova Scotia Gaming Foundation	575	604
	43,695	41,573
Justice		
Department of Justice	254,507	238,337
Law Reform Commission	339	340
Nova Scotia Legal Aid Commission	21,341	23,102
	276,187	261,779



Schedule 2

Expenses (continued)

For the fiscal year ended March 31, 2010
(\$ thousands)

	2010	2009 (as restated)
Labour and Workforce Development		
Department of Labour and Workforce Development	127,268	57,513
Natural Resources		
Department of Natural Resources	90,436	85,529
Acadia Coal Company Limited Fund	—	1
Coal Research Agreement Fund	299	117
Crown Land Mine Remediation Fund	50	—
Crown Land Silviculture Fund	1,723	2,273
Habitat Conservation Fund	91	96
Nova Scotia Primary Forest Products Marketing Board	289	442
Off-Highway Vehicle Infrastructure Fund	988	1,874
Species-at-risk Conservation Fund	73	12
Sustainable Forestry Fund	—	2,315
	93,949	92,659
Public Service		
Public Service	153,434	130,032
Democracy 250	—	272
Nova Scotia E911 Cost Recovery Fund	4,671	4,676
Nova Scotia Nominee Program Fund	14,997	22,111
Interest only for the Nova Scotia Nominee Program Fund	—	15
	173,102	157,106
Seniors		
Department of Seniors	1,903	1,693
Service Nova Scotia and Municipal Relations		
Department of Service Nova Scotia and Municipal Relations	278,220	244,266
Nova Scotia Municipal Finance Corporation	279	325
	278,499	244,591
Tourism, Culture and Heritage		
Department of Tourism, Culture and Heritage	57,899	56,681
Art Gallery of Nova Scotia	3,576	4,375
Public Archives of Nova Scotia	137	181
Sherbrooke Restoration Commission	2,181	2,167
	63,793	63,404
Transportation and Infrastructure Renewal		
Department of Transportation and Infrastructure Renewal	377,825	380,667
Harbourside Commercial Park Inc.	700	154
Nova Scotia Lands Inc.	309	654
	378,834	381,475

Schedule 2

Expenses (continued)
For the fiscal year ended March 31, 2010
(\$thousands)

	2010	2009 (as restated)
Restructuring Costs	133,967	72,208
Pension Valuation Adjustment	86,410	85,066
Gain on Disposal of Crown Assets	(14,943)	(1,076)
Debt Servicing Costs		
Consolidated Fund	826,430	843,543
Annapolis Valley District Health Authority	487	405
Annapolis Valley Regional School Board	381	421
Cape Breton District Health Authority	1,513	1,170
Cape Breton Victoria Regional School Board	265	315
Capital District Health Authority	7,058	7,489
Chignecto-Central Regional School Board	647	731
Colchester East Hants Health Authority	276	276
Conseil scolaire acadien provincial	83	93
Conserve Nova Scotia	56	—
Cumberland Health Authority	271	241
Guysborough Antigonish Strait Health Authority	336	316
Halifax Regional School Board	1,529	1,367
Izaak Walton Killam Health Centre	1,311	994
Nova Scotia Community College	1,149	1,175
Nova Scotia Housing Development Corporation	35,682	26,543
Nova Scotia Innovation Corporation	65	63
Nova Scotia Legal Aid Commission	219	193
Nova Scotia Municipal Finance Corporation	471	515
Nova Scotia Utility and Review Board	30	31
Pictou County Health Authority	307	314
Sherbrooke Restoration Commission	—	(3)
South Shore District Health Authority	376	325
South Shore Regional School Board	266	32
South West Nova District Health Authority	536	443
Strait Regional School Board	228	249
Tri-County Regional School Board	172	139
Waterfront Development Corporation Limited	3	107
Waycobah School Assistance Fund	—	3
	880,147	887,490
Total Expenses	9,511,589	9,169,768



Schedule 3

Loans and Investments

As at March 31, 2010

(\$thousands)

	Loans and Investments	Provisions	Net 2010	Net 2009 (as restated)
Loans of the Consolidated Fund:				
Agriculture and Rural Credit Act	179,230	27,361	151,869	170,745
Fisheries Development Act	94,752	298	94,454	84,412
Housing Development Act	316,124	22,990	293,134	109,433
Industrial Development Act	224,757	70,442	154,315	47,600
Venture Corporations Act	809	809	—	—
Loans to Municipalities				
Municipal Loan and Building Fund Act	150	—	150	225
Educational & Services Products (NS) Ltd	15	—	15	15
Education - Student Loans Direct Lending	161,477	59,238	102,239	97,256
Miscellaneous	709	—	709	709
Nova Scotia Market Development Initiative Fund	5,600	—	5,600	5,600
	983,623	181,138	802,485	515,995
Loans of Governmental Units:				
Conserve Nova Scotia	1,046	—	1,046	—
Nova Scotia Business Inc.	123,591	39,622	83,969	86,381
Nova Scotia Innovation Corporation	232	—	232	255
Nova Scotia Municipal Finance Corporation	719,298	—	719,298	700,121
Nova Scotia Strategic Opportunities Fund Incorporated	31,091	—	31,091	—
Resource Recovery Fund Board Inc.	254	—	254	464
Waterfront Development Corporation	874	—	874	1,083
	876,386	39,622	836,764	788,304
Total Loans	1,860,009	220,760	1,639,249	1,304,299

Schedule 3

Loans and Investments (continued)

As at March 31, 2010

(\$thousands)

	Loans and Investments	Provisions	Net 2010	Net 2009 (as restated)
Investments of the Consolidated Fund:				
Housing Development Act	2,246	105	2,141	1,938
Industrial Development Act	8,071	4,271	3,800	3,800
	10,317	4,376	5,941	5,738
Investments of Governmental Units:				
AgraPoint International Inc.	810	—	810	660
Art Gallery of Nova Scotia	1,493	—	1,493	1,873
Nova Scotia Business Inc.	44,626	15,556	29,070	19,439
Nova Scotia Gaming Foundation	3,301	—	3,301	—
Nova Scotia Innovation Corporation	13,758	—	13,758	15,244
Nova Scotia School Insurance Exchange	8,049	—	8,049	8,454
Public Archives of Nova Scotia	892	—	892	—
	72,929	15,556	57,373	45,670
Total Investments	83,246	19,932	63,314	51,408
Total Loans and Investments	1,943,255	240,692	1,702,563	1,355,707

The Provisions listed above include amounts for possible guarantee payouts related to the Industrial Development Act \$500 (2009 - \$4,000), the Housing Development Corporation Act \$13,802 (2009 - \$14,247), and Nova Scotia Business Incorporated \$2,900 (2009 - \$2,934). Also included in Provisions for the Housing Development Corporation Act is \$3,200 (2009 - \$3,200) for interest fluctuations.



Schedule 4

**Unmatured Debt
As at March 31, 2010
(\$ thousands)**

	Gross Debt	Sinking Funds and Defeasance Assets	Net Debt 2010	Net Debt 2009 (as restated)
Governmental Units				
Consolidated Fund	13,331,989	2,204,219	11,127,770	9,967,833
Nova Scotia Housing Development Corporation	240,288	—	240,288	252,156
Nova Scotia Municipal Finance Corporation	2,416	—	2,416	2,573
Nova Scotia Power Finance Corporation	1,004,680	1,004,680	—	—
Waterfront Development Corporation Limited	625	—	625	125
Other	927	—	927	1,559
Unmatured Debt of Governmental Units	14,580,925	3,208,899	11,372,026	10,224,246
Government Business Enterprises				
Halifax-Dartmouth Bridge Commission	54,000	—	54,000	57,000
Highway 104 Western Alignment Corporation	70,659	—	70,659	72,348
Nova Scotia Gaming Corporation	20,786	—	20,786	24,354
Nova Scotia Liquor Corporation	2,373	—	2,373	3,491
Unmatured Debt of Government Business Enterprises	147,818	—	147,818	157,193
Total Unmatured Debt	14,728,743	3,208,899	11,519,844	10,381,439

All debt is presented in Canadian dollar equivalents and after giving effect to currency swap contracts itemized in Note 5.

The current and long-term portions of unmatrued debt of Governmental Units are shown on the Consolidated Statement of Financial Position with reference to this schedule. Debt of Government Business Enterprises is reflected in the Investment in Government Business Enterprises and in further detail in Schedule 6.

As of March 31, 2010, the Consolidated Fund held Sinking Funds and Public Debt Retirement Funds of \$2,204.2 million. These funds were comprised of \$2,058.3 million in Sinking Funds and \$145.9 million in Public Debt Management Funds. The total market value of both funds is \$2,287.5 million at year-end. During the year, contributions were \$95.3 million, total earnings were \$92.2 million and total redemptions were \$195.0 million.

Schedule 4

Unmatured Debt (continued)

As at March 31, 2010

(\$ thousands)

Sinking fund assets are recorded at cost, which includes premiums and discounts associated with the purchase of these investments. These premiums and discounts are amortized on a straight-line basis over the term of the related investment. The unamortized portion of the premiums and discounts is included as part of the value of the sinking funds. As at March 31, 2010, the unamortized net premium was \$66.5 million.

Assets consist primarily of debentures of the provinces and Government of Canada with fixed interest rates ranging from 4.05 per cent to 10.00 per cent. Sinking fund payments normally commence on the first anniversary date of the issue of the debenture and are designed to retire the debt over a 20-year period unless the term of the issue is longer. At year-end, the province held \$1,037.7 million carrying value worth of its own debentures in Sinking Funds and Public Debt Retirement Funds as active investments.

As per the Nova Scotia Power Corporation Privatization Agreement, Nova Scotia Power Finance Corporation provides for defeasance of its debt. The portfolio of defeasance assets consists of Nova Scotia Power Corporation, other provincial governments and utilities, federal US bonds, coupons or residuals. This debt is shown net of defeasance assets on the Statement of Financial Position.

Projected Payments

(\$ thousands)

	Governmental Units			Government	
	Principal Repayments	Sinking Fund Requirements	Total Payments	Business Enterprises	Total
2011	684,726	88,128	772,854	15,835	788,689
2012	1,617,851	88,128	1,705,979	17,260	1,723,239
2013	970,159	88,128	1,058,287	5,287	1,063,574
2014	1,014,068	71,017	1,085,085	5,529	1,090,614
2015	591,758	71,017	662,775	5,797	668,572
2016 & thereafter	5,734,748	352,298	6,087,046	98,110	6,185,156
	10,613,310	758,716	11,372,026	147,818	11,519,844

Net principal repayments are comprised of the principal amount due less available designated sinking funds to retire the debenture.

In addition, the province has approximately \$765.4 million in unrestricted sinking funds that can be used towards the retirement of any unmaturing debt. The use of these funds is evaluated each year based on a detailed analysis of cash requirements and market conditions.



Schedule 5

Gross Long-Term Debt
As at March 31, 2010
(\$ thousands)

	Foreign Exchange Rate	CDN \$ Amount	Maturity Dates	Interest Rates
Governmental Units:				
<u>Debentures</u>				
Consolidated Fund				
Consolidated Fund (CDN\$)		13,009,608	2010 to 2041	2.50% to 15.998%
Consolidated Fund (US\$)	1.0156	—	2012 to 2022	5.125% to 9.50%
Consolidated Fund (UK£)	1.5422	—	2011 to 2019	11.75% to 16.75%
Nova Scotia Municipal Finance Corporation		2,416	2010 to 2018	1.00% to 2.62%
Nova Scotia Power Finance Corporation				
Nova Scotia Power Finance Corporation (CDN\$)		700,000	2012 to 2031	10.25% to 11.25%
Nova Scotia Power Finance Corporation (US\$)	1.0156	304,680	2021	9.40%
Total - Debentures		<u>14,016,704</u>		
<u>Loans</u>				
Consolidated Fund - Other Debt		150	2011 to 2014	1.20% to 8.375%
Nova Scotia Housing Development Corporation		240,288	2010 to 2034	4.00% to 21.50%
Waterfront Development Corporation		625	Demand Loan	Bank prime less 1.125%
Total - Loans		<u>241,063</u>		
<u>Capital Leases</u>				
Consolidated Fund		322,231	2010 to 2027	6.04% to 11.00%
Other		927	2010 to 2016	5.00% to 6.19%
Total - Capital Leases		<u>323,158</u>		
Total - Long-term Debt of Governmental Units		<u>14,580,925</u>		

Schedule 5

Gross Long-Term Debt (continued)

As at March 31, 2010

(\$ thousands)

	CDN \$ Amount	Maturity Dates	Interest Rates
Government Business Enterprises:			
<u>Debentures</u>			
Highway 104 Western Alignment Corporation	70,659	2026	10.13%
<u>Loans</u>			
Halifax-Dartmouth Bridge Commission	54,000	2019	5.13%
Nova Scotia Gaming Corporation	20,786	2010 to 2011	variable
<u>Capital Leases</u>			
Nova Scotia Liquor Corporation	2,373	2012	13.80%
Total Long-term Debt of Government Business Enterprises	147,818		
Total Gross Long-term Debt	14,728,743		

Call, Redemption and Other Features:**Consolidated Fund**

Canadian debentures include \$1,079.4 million in CPP debentures, which are redeemable in whole or in part before maturity, on six months notice, at the option of the Minister of Finance of Canada.

The interest rates shown for the Canadian and US debentures reflect the fixed interest rates only. There are debentures that have floating interest rates. Floating interest rates are adjusted on a quarterly basis.

Housing Development Corporation

Mortgages and notes payable are secured by investments in social housing.

Highway 104 Western Alignment Corporation

The Corporation has provided an assignment of all the present and future property and assets, including rights to operate the facility, and a security interest in the Debt Service Reserve Account and the Major Maintenance Reserve Account.

Schedule 6

Government Business Enterprises

As at March 31, 2010

(\$ thousands)

	2010					2009
	Halifax - Dartmouth Bridge Commission	Highway 104 Western Alignment Corporation	Nova Scotia Gaming Corporation	Nova Scotia Liquor Corporation	Total	Total
Cash	7,092	488	13,389	10,683	31,652	27,676
Accounts Receivable	570	970	—	1,736	3,276	3,410
Inventory	—	9	1,497	36,465	37,971	37,366
Tangible Capital Assets	77,790	94,471	90,901	46,901	310,063	313,179
Other Assets	4,119	41,883	3,324	762	50,088	43,828
Total Assets	89,571	137,821	109,111	96,547	433,050	425,459
Accounts Payable	3,873	1,717	2,639	75,072	83,301	75,571
Long-term Debt	54,000	70,659	20,786	2,373	147,818	157,193
Other Liabilities	3,423	40,992	85,686	19,102	149,203	152,175
Total Liabilities	61,296	113,368	109,111	96,547	380,322	384,939
Equity	28,275	24,453	—	—	52,728	40,520
Total Liabilities and Equity	89,571	137,821	109,111	96,547	433,050	425,459
Revenue	25,216	21,149	431,626	583,713	1,061,704	1,059,758
Expenses	15,925	8,046	303,782	362,916	690,669	686,562
Debt Servicing	2,865	7,321	684	1,434	12,304	13,616
Total Expenses	18,790	15,367	304,466	364,350	702,973	700,178
Net Income	6,426	5,782	127,160	219,363	358,731	359,580

Government Business Enterprises (continued)
As at March 31, 2010**Halifax-Dartmouth Bridge Commission**

The Halifax-Dartmouth Bridge Commission (the Commission) was created in 1950 by a special statute of the Province of Nova Scotia (now the Halifax-Dartmouth Bridge Commission Act). The purpose of the Commission is to construct, maintain, and operate bridges and their necessary approaches across the Halifax Harbour, between the communities of Halifax and Dartmouth, and across the North West Arm. The Commission currently operates and maintains two toll bridges across the Halifax Harbour, the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge. Bridge tolls are regulated by the Nova Scotia Utility and Review Board, a provincially controlled public sector entity.

Effective January 1, 2008, the Commission moved to a full straight line method for calculating depreciation on all assets. The estimated remaining useful life of the bridges is periodically updated based on consultation with the Commission's external engineers.

On July 25, 2007 the Commission entered into a long-term loan agreement with the Province for \$60.0 million with a final maturity date of December 4, 2019. This agreement requires eleven consecutive annual installments of \$3.0 million commencing with an installment payment on December 4, 2008 and for each year thereafter with the final principal repayment amount of \$27.0 million along with all accrued and unpaid interest thereon due on the final maturity date of December 4, 2019. Interest is payable semi-annually on June 4 and December 4 of each year. The average interest rate over the 12-year period was set at 5.13%. The Commission accrued interest on the long term debt for the period ending March 31, 2010 in the amount of \$885.0 thousand. In addition, the agreement requires that two reserve funds, the OM Fund and Debt Service Fund, be maintained. Effective June 4, 2008, a Capital Fund was also established.

On June 30, 2008, the Commission entered into a Line of Credit agreement for \$60.0 million with the Province. There have been no borrowings against this line of credit as of March 31, 2010.

Highway 104 Western Alignment Corporation

The Corporation has been established for the purpose of financing, designing, constructing, operating, and maintaining a 45 km stretch of highway between Masttown and Thomson Station in the counties of Colchester and Cumberland, Nova Scotia. The Corporation's fiscal year end is March 31. The Province of Nova Scotia retains ownership of the highway. The Corporation is granted the right to operate the highway and collect tolls for a 30-year period, pursuant to an agreement dated April 1, 1996, after which time the right will revert to the Province.

The Province contributed \$55.0 million toward the construction of the highway, one-half of which was recovered from the Federal Government under the Canada-Nova Scotia Strategic Highway Improvement Program. There were no contributions in the current or previous year.

On May 22, 1996, the Corporation entered into an operating agreement with Atlantic Highways Management Corporation whereby compensation is based on the annual operating budget plus a variable fee.

A thirty year agreement between the Corporation and the Department of Transportation and Infrastructure Renewal to provide annual roadway maintenance services is renewable in five year increments and was renewed in the prior year. For the current fiscal year, the annual fee was adjusted for inflation and totaled \$1.1 million. During the year, the Corporation incurred management fees of \$76,605 (2009 - \$56,718) from the Province of Nova Scotia.



Government Business Enterprises (continued)
As at March 31, 2010

At March 31, 2010, the Corporation has a receivable recorded from the Province in the amount of \$0.4 million (2009 - \$0.6 million).

Restricted assets, consisting primarily of investments in the amount of \$41.5 million (2009 - \$38.3 million), are included in other assets and cash. These reserve accounts were established in accordance with trust indenture agreements between the Corporation, bondholders, and an Omnibus Agreement between the Corporation and the Province.

Nova Scotia Gaming Corporation

The Corporation was incorporated on February 15, 1995 by Chapter 4 of the Acts of 1994-95, the Gaming Control Act. The purpose of the Corporation is to develop, undertake, organize, conduct and manage casinos and other lottery business on behalf of the Province of Nova Scotia. The Corporation's fiscal year end is March 31. Revenues of the Corporation are derived from two casinos, located in Halifax and Sydney, and ticket and video lottery sales. The net balance owing to the Province at March 31, 2010 is \$65.2 million (2009 - \$68.4 million).

Unclaimed prizes are retained by the Corporation in a prize fund for one year from the announced beginning date of the draw. As at March 31, 2010, this amounted to \$4.5 million (2009 - \$2.5 million). This \$4.5 million of restricted cash is included in cash.

Video Lottery (VL) retailers in Nova Scotia have agreed, under the terms of their agreements with Atlantic Lottery Corporation Inc., to contribute 1% of their VL commission to the Nova Scotia Gaming Foundation. The Corporation has agreed to contribute an amount equal to all contributions made by the VL retailers.

The Corporation is obligated to make direct payments annually to three provincial government bodies as follows: the Department of Tourism, Culture and Heritage (in support of the Cultural Federation of NS), the Department of Agriculture (in support of the Exhibition Association of Nova Scotia), and the Department of Health Promotion and Protection (in support of Sport Nova Scotia). These payments totaled \$0.2 million in 2010 (2009-\$0.2 million). Additionally, as part of its Gaming Strategy, the Government of Nova Scotia approved a contribution of \$3.0 million to Nova Scotia Health Promotion and Protection in 2010 (2009-\$3.0 million) to fund problem gambling treatment. The Corporation annually contributes to the Nova Scotia Harness Racing Fund amounts approved by the Minister of Finance. The Government of Nova Scotia approved a contribution of \$1.0 million in 2010 to support the harness racing industry in Nova Scotia.

Nova Scotia Liquor Corporation

The Corporation derives its mandate from the Liquor Control Act, Chapter 260 of the Revised Statutes of Nova Scotia, 1989. The Corporation was created June 1, 2001, by Chapter 4 of the Government Restructuring (2001) Act, via continuance of the Nova Scotia Liquor Commission as a body corporate.

The Corporation operates retail sales locations across the province and has a fiscal year end of March 31. The net balance owing to the Province at March 31, 2010 is \$43.1 million (2009 - \$39.0 million).

Schedule 7

Tangible Capital Assets

As at March 31, 2010

(\$ thousands)

	2010						2009
	Land	Buildings and Land Improvements	Machinery Computers and Equipment	Vehicles and Ferries	Roads, Bridges and Highways	Total	Total (as restated)
Costs							
Opening Costs	616,025	3,770,521	1,126,120	116,426	1,344,570	6,973,662	6,491,808
Additions	115,281	244,747	106,893	15,629	292,438	774,988	503,627
Disposals	(7,079)	(5,690)	(11,598)	(5,009)	(79)	(29,455)	(21,773)
Closing Costs	724,227	4,009,578	1,221,415	127,046	1,636,929	7,719,195	6,973,662
Accumulated Amortization							
Opening							
Accumulated							
Amortization	—	(1,474,076)	(803,687)	(77,303)	(548,216)	(2,903,282)	(2,640,464)
Disposals	—	5,123	9,289	4,957	15	19,384	18,046
Amortization							
Expense	—	(119,350)	(76,120)	(10,991)	(106,117)	(312,578)	(280,864)
Closing Accumulated Amortization	—	(1,588,303)	(870,518)	(83,337)	(654,318)	(3,196,476)	(2,903,282)
Net Book Value	724,227	2,421,275	350,897	43,709	982,611	4,522,719	4,070,380
Opening Balance	616,025	2,296,445	322,433	39,123	796,354	4,070,380	3,851,344
Closing Balance	724,227	2,421,275	350,897	43,709	982,611	4,522,719	4,070,380
Increase in Net Book Value	108,202	124,830	28,464	4,586	186,257	452,339	219,036

**Tangible Capital Assets (continued)**
As at March 31, 2010

Amortization is calculated on a declining balance basis for most assets of the Consolidated Fund. The amortization percentages of the more common tangible capital assets are: buildings and land improvements (5-30 per cent); machinery, computers and equipment (15-50 per cent); vehicles and ferries (15-35 per cent); and roads, bridges and highways (5-15 per cent). Capital leases are amortized on a straight-line basis over the length of each lease (3-25 years).

Amortization is generally calculated on a straight-line basis for assets of other governmental units. The estimated useful lives of the more common tangible capital assets are: buildings (including leasehold improvements) and land improvements (2-50 years); machinery, computers and equipment (3-50 years); and vehicles and ferries (3-7 years). Capital leases are amortized on a straight-line basis (generally 3-45 years).

Social Housing assets are included in Buildings and Land Improvements and relate to the Housing Development Corporation. These assets are amortized using the straight-line method. The net book value of these assets is \$328,618 (2009 - \$320,905).

Included in the closing costs totals of the various classes as of March 31, 2010, are costs for assets under construction, which have not yet begun to amortize. These costs are buildings and land improvements - \$175,697; machinery, computers and equipment - \$48,413; vehicles and ferries - \$3,763; and roads, bridges and highways - \$100,821.

Capital leases are included in the various categories as follows: buildings and land improvements – cost \$472,226, accumulated amortization (\$236,958); machinery, computers and equipment – cost \$39,198, accumulated amortization (\$36,608); and vehicles and ferries – cost \$16,830, accumulated amortization (\$7,439).

Schedule 8

Direct Guarantees

As at March 31, 2010

(\$ thousands)

	Authorized 2010	Utilized 2010	Utilized 2009
Bank Loans:			
Nova Scotia Business Inc.	8,900	2,900	3,534
Industrial Development Act	54,712	37,379	22,833
Nova Scotia Fisheries and Aquaculture Loan Board	—	—	100
Department of Education - Student Loan Program	30,940	30,940	42,995
Total - Bank Loan Guarantees	94,552	71,219	69,462
Promissory Notes:			
3052155 NS Limited to Canada-Nova Scotia			
Offshore Petroleum Board	—	—	2,500
Total - Promissory Note Guarantees	—	—	2,500
Mortgages:			
Housing Development Corporation Act	11,045	11,045	11,275
Housing Development Corporation Act -			
CMHC Indemnities	108,524	108,524	117,487
Provincial Finance Act	90	90	101
Total - Mortgage Guarantees	119,659	119,659	128,863
Other Guarantees:			
Aliant Telecom MASH Sector	—	—	3
Equity Tax Credit Act - Community Economic			
Development Investment Funds	251	251	713
Total - Other Guarantees	251	251	716
Total - Direct Guarantees	214,462	191,129	201,541
Less Provision for Guarantee Payout:			
Industrial Development Act		(500)	(4,000)
Nova Scotia Business Inc.		(2,900)	(2,934)
Department of Education - Student Loan Program		(6,801)	(8,982)
Housing Development Corporation Act		(13,802)	(14,247)
3052155 Nova Scotia Limited		—	(100)
		(24,003)	(30,263)
Less Provision for Student Debt Reduction			
Program:			
Department of Education - Student Loan Program		(4,845)	(3,599)
Net Direct Guarantees not provided for			
in these statements		162,281	167,679



Segment Reporting As at March 31, 2010

Segment reporting is designed to assist users to identify the resources allocated to support the major activities of government and to better understand the performance of segments.

The following schedules provide segment information for the 2010 and 2009 fiscal years. The province has determined that the following segments represent the major activities for the government.

Health — The provision of such services and institutions to the public that will lead to a higher state of personal health.

Education — The provision of all aspects and phases of training to equip people with necessary skills to pursue productive lives.

Infrastructure & Public Works — The provision of the means to facilitate the effective and efficient movement of persons and property. This includes the net results of the Halifax-Dartmouth Bridge Commission and the Highway 104 Western Alignment Corporation.

Social Services — The provision of services and assistance to economically and/or socially disadvantaged persons requiring aid.

Natural Resources & Economic Development — The provision for the maintenance and upkeep, efficient extraction and processing of the natural attributes of the province with the aim of creating employment and contributing to the material well-being of residents.

Other — The provision of all other essential services which are necessary for the efficient and effective operation of government. This also includes items which assure a benefit to the whole of government and cannot be identified with any other function.

Unallocated — Revenues and expenses that cannot be directly allocated on a reasonable basis to individual segments because they support a wide range of service delivery activities or relate to general administration activities that are not identified as a separate segment. This includes items like tax revenues, sinking fund earnings, debt servicing costs, and the pension valuation adjustment.

Schedules to the Consolidated Financial Statements

Schedule 9

Segment Reporting
For the fiscal year ended March 31, 2010
 (\$ thousands)

	Health	Education	Infrastructure & Public Works	Social Services	Natural Resources & Economic Development	Other	Unallocated	Eliminations	Total
Revenue									
Provincial Sources	179,313	68,670	120,547	43,569	73,926	745,730	4,147,768	(116,607)	5,262,716
Federal Sources	42,422	32,876	3,468	72,502	118,491	89,532	2,819,246	—	3,178,537
Other Revenue	128,714	344,006	—	57,148	112,943	71,025	46,810	(24,422)	736,224
Sinking Fund Earnings	—	—	—	—	—	—	92,188	—	92,188
Total Revenues	350,449	445,552	124,015	173,019	305,360	906,287	7,106,012	(141,029)	9,269,665
Expenses									
Grants and Subsidies	1,362,850	596,671	604	714,939	248,742	281,097	—	(55,477)	3,149,426
Salaries and Employee Benefits	1,553,605	1,101,804	122,804	126,802	166,800	308,970	86,410	(48,787)	3,418,408
Operating Goods and Services	649,290	297,874	101,612	111,635	127,121	123,004	—	(3,720)	1,406,816
Professional Services	93,734	14,533	23,915	3,142	21,144	140,394	—	(735)	296,127
Amortization	88,617	64,368	129,009	15,923	5,442	9,219	—	—	312,578
Debt Servicing Costs	—	—	—	—	—	—	909,764	(29,617)	880,147
Other	—	43,534	—	—	20,818	1,371	(14,943)	(2,693)	48,087
Total Expenses	3,748,096	2,118,784	377,944	972,441	590,067	864,055	981,231	(141,029)	9,511,589
Segment Result	(3,397,647)	(1,673,232)	(253,929)	(799,422)	(284,707)	42,232	6,124,781	—	(241,924)



NOVA SCOTIA

Public Accounts Volume 1 – Financial Statements

Schedule 9

Segment Reporting
For the fiscal year ended March 31, 2009 (as restated)
(\$ thousands)

	Health	Education	Infrastructure & Public Works	Social Services	Natural Resources & Economic Development	Other	Unallocated	Eliminations	Total
Revenue									
Provincial Sources	177,354	44,802	56,568	44,524	67,203	734,634	4,348,940	(109,531)	5,364,494
Federal Sources	35,415	43,392	4,050	70,997	33,593	50,959	2,725,675	—	2,964,081
Other Revenue	152,656	336,668	—	52,184	111,173	66,306	49,885	(18,090)	750,782
Sinking Fund Earnings	—	—	—	—	—	—	116,384	—	116,384
Total Revenues	365,425	424,862	60,618	167,705	211,969	851,899	7,240,884	(127,621)	9,195,741
Expenses									
Grants and Subsidies	1,271,584	633,147	1,591	705,982	177,456	250,483	—	19,205	3,059,448
Salaries and Employee Benefits	1,472,305	1,052,629	124,388	121,607	153,714	301,016	85,066	(107,239)	3,203,486
Operating Goods and Services	626,746	316,357	125,656	90,803	127,829	114,479	—	(6,509)	1,395,361
Professional Services	76,452	13,349	19,691	5,244	19,585	136,174	—	(688)	269,807
Amortization	78,106	62,381	109,657	15,162	5,279	10,280	—	—	280,865
Debt Servicing Costs	—	—	—	—	—	—	917,839	(30,349)	887,490
Other	—	42,239	—	—	33,792	397	(1,076)	(2,041)	73,311
Total Expenses	3,525,193	2,120,102	380,983	938,798	517,655	812,829	1,001,829	(127,621)	9,169,768
Segment Result	(3,159,768)	(1,695,240)	(320,365)	(771,093)	(305,686)	39,070	6,239,055	—	25,973

Schedule 10

Government Reporting Entity
As at March 31, 2010

The government reporting entity is comprised of the province's departments and public service units (Consolidated Fund) as well as the following governmental units, government business enterprises and a proportionate share of government partnership arrangements:

Governmental Units

(Consolidation Method)

Acadia Coal Company Limited Fund
 AgraPoint International Inc.
 AgriTECH Park Incorporated
 Annapolis Valley District Health Authority
 Annapolis Valley Regional School Board
 Art Gallery of Nova Scotia
 Bioscience Enterprise Centre Incorporated
 Cape Breton District Health Authority
 Cape Breton Victoria Regional School Board
 Capital District Health Authority
 Check Inns Limited (inactive)
 Chignecto-Central Regional School Board
 Coal Research Agreement Fund
 Colchester East Hants Health Authority
 Conseil scolaire acadien provincial
 Conserve Nova Scotia
 CorFor Capital Repairs and Replacements Fund
 Crown Land Mine Remediation Fund
 Crown Land Silviculture Fund
 Cumberland Health Authority
 Democracy 250 (inactive)
 Film Nova Scotia
 Gaming Addiction Treatment Trust Fund
 Guysborough Antigonish Strait Health Authority
 Habitat Conservation Fund
 Halifax Regional School Board
 Harbourside Commercial Park Inc.
 Sydney Utilities Limited
 Industrial Expansion Fund
 Izaak Walton Killam Health Centre
 Law Reform Commission
 Mainstream 1992 Fund
 Muggah Creek Remediation Fund
 Nova Scotia Arts Council (inactive)
 Nova Scotia Blueberry Institute Fund
 Nova Scotia Business Inc.
 Nova Scotia Community College
 Nova Scotia Community College Foundation
 Nova Scotia Coordinate Referencing System Trust Fund
 Nova Scotia Crop and Livestock Insurance Commission
 Nova Scotia E911 Cost Recovery Fund
 Nova Scotia Environmental Trust
 Nova Scotia Farm Loan Board
 Nova Scotia Fisheries and Aquaculture Loan Board

Nova Scotia Gaming Foundation
 Nova Scotia Government Acadian Bursary Program Fund
 Nova Scotia Harness Racing Incorporated (inactive)
 Nova Scotia Health Research Foundation
 Nova Scotia Housing Development Corporation
 Annapolis Valley Housing Authority
 Cape Breton Island Housing Authority
 Cobequid Housing Authority
 Eastern Mainland Housing Authority
 Metropolitan Regional Housing Authority
 South Shore Housing Authority
 Tri-County Housing Authority
 Nova Scotia Hurricane Juan Recovery Fund (inactive)
 Nova Scotia Innovation Corporation
 1402998 Nova Scotia Limited
 3087532 Nova Scotia Limited
 Nova Scotia Lands Inc.
 Nova Scotia Legal Aid Commission
 Nova Scotia Market Development Initiative Fund
 Nova Scotia Municipal Finance Corporation
 Nova Scotia Nominee Program Fund
 Nova Scotia Pension Agency
 Nova Scotia Power Finance Corporation
 Nova Scotia Primary Forest Products Marketing Board
 Nova Scotia School Boards Association (1)
 Nova Scotia School Insurance Exchange (2)
 Nova Scotia School Insurance Program Association (2)
 Nova Scotia Sportfish Habitat Fund
 Nova Scotia Strategic Opportunities Fund Incorporated
 Nova Scotia Utility and Review Board
 Off-Highway Vehicle Infrastructure Fund
 P3 Schools Capital and Technology Refresh Fund (3)
 Partnership Trust Fund (inactive)
 Pengrowth Nova Scotia Energy Scholarship Fund
 Pictou County Health Authority
 Provincial Drug Distribution Program
 Public Archives of Nova Scotia
 Public Debt Management Fund
 Resource Recovery Fund Board Inc.
 Rockingham Terminal Incorporated (inactive)
 Scotia Benefit Fund (inactive)
 Scotia Learning Technology Refresh Fund
 Sherbrooke Restoration Commission
 South Shore District Health Authority
 South Shore Regional School Board
 South West Nova District Health Authority

**Government Reporting Entity (continued)**
As at March 31, 2010**Governmental Units (continued)**
(Consolidation Method)

Species-at-risk Conservation Fund
Strait Regional School Board
Sustainable Forestry Fund
Sydney Environmental Resources Limited (inactive)
Sydney Steel Corporation
Sydney Tar Ponds Agency
Sysco Decommissioning Fund
Trade Centre Limited
Tri-County Regional School Board
Upper Clements Family Theme Park Limited (inactive)
Waterfront Development Corporation Limited
3104102 Nova Scotia Limited
Waycobah School Assistance Fund
3052155 Nova Scotia Limited

Government Business Enterprises
(Modified Equity Method)

Halifax-Dartmouth Bridge Commission
Highway 104 Western Alignment Corporation
Nova Scotia Gaming Corporation
Atlantic Lottery Corporation (25% ownership)
Interprovincial Lottery Corporation (10% ownership)
Nova Scotia Gaming Equipment Limited
Nova Scotia Liquor Corporation

Government Partnership Arrangements
(Proportionate Consolidation Method)

Atlantic Provinces Special Education Authority
(approximately 55% share)
Canada-Nova Scotia Offshore Petroleum Board
(50% share)
Canadian Sports Centre Atlantic
(approximately 3% share)
Council of Atlantic Premiers
(approximately 45% share)

- (1) – Entity is a partnership controlled by the eight school boards.
- (2) – Entity is a partnership controlled by the eight school boards and the Community College
- (3) – This includes all refresh funds related to P3 schools.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2010

1. Financial Reporting and Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector, that for purposes of the province's financial statements are represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA and International Federation of Accountants accounting standards or pronouncements.

These consolidated financial statements have been prepared using the following significant accounting policies:

a) The Government Reporting Entity

The government reporting entity (GRE) is comprised of the Consolidated Fund, other governmental units (GUs), government business enterprises (GBEs) and a proportionate share of government partnership arrangements (GPAs). GUs and GBEs represent the entities that are controlled by the government. Control is defined as the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities. Control exists regardless of whether the government chooses not to exercise its power to govern so long as it has the ability to govern. Control must exist at the financial statement date, without the need to amend legislation or agreements. GPAs represent entities for which decision making and significant risks and benefits are shared with other parties outside of the GRE.

Trusts administered by the province are excluded from the reporting entity and are disclosed separately on the Statement of Financial Position for information purposes only.

b) Principles of Consolidation

A GU is a government organization that is not a GBE. GUs include government departments, public service units, funds, agencies, service organizations, boards and government not-for-profit organizations. The accounts of GUs are consolidated on a line-by-line basis after adjusting the accounting policies to be consistent with those described in Note 1 (c), with the exception of tangible capital assets. Significant inter-organization accounts and transactions are eliminated.

A GBE is a self-sustaining organization that has the financial and operating authority to sell goods and services to individuals and non-government organizations as its principal activity and source of revenue. GBEs have been accounted for on the modified equity basis which does not require any accounting policy adjustments. The total net equity of all GBEs is included in the Statement of Financial Position. The total net income is shown as a separate item in the Statement of Operations and Accumulated Deficits.



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A GPA is a contractual arrangement between the government and a party or parties outside the reporting entity. The partners have significant clearly defined common goals, make a financial investment in the partnership, share control of decision making, and share, on an equitable basis, the significant risks and benefits associated with the operations of the government partnership. Where significant, the government's interest in partnerships is accounted for on the proportionate consolidation method.

A complete listing of the organizations within the GRE is provided in Schedule 10.

c) Significant Accounting Policies

Revenues

Revenues are recorded on the accrual basis. The main components of revenue are various taxes, legislated levies, and interest. Revenues from Personal and Corporate Income Taxes, as well as Harmonized Sales Taxes are accrued in the year earned based upon estimates using statistical models. Tax revenues are recorded at the net amount estimated, after considering adjustments for tax credits and other adjustments from the federal government.

Government transfers are recognized as revenue in the period during which the transfer is authorized and any eligibility criteria are met. Transfers are recorded as deferred revenue if they are restricted for a stated purpose, such as a specific program or the purchase of tangible capital assets.

Expenses

Expenses are recorded on the accrual basis and are reported in more detail in Note 9 – Expenses by Object. Grants are recognized in the period during which the grant is authorized and any eligibility criteria are met. Provisions are made for probable losses on certain loans, investments, loan guarantees, accounts receivable, advances, forgivable loans and for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are updated as estimates are revised, at least annually.

Financial Assets

Cash and Short-term Investments are recorded at cost, which approximates market value. Investments are R-1 (low, mid, high) rated federal and provincial government bills or promissory notes, bankers' acceptances, term deposits and commercial paper. Terms of investments are generally 1 to 90 days. The average interest rate was 0.24 per cent at year-end.

Accounts Receivable and Advances are recorded at the principal amount less valuation allowances.

Inventories for Resale are held for sale in the ordinary course of operations and are recorded at the lower of cost and net realizable value.

Loans are recorded at cost less adjustments for concessionary assistance and any prolonged impairment in value. Concessionary assistance consists of subsidies provided by the province and is recognized as an expense at the date of issuance of the loan. Any loan write offs must be approved by the Governor-in-Council. Loans usually bear interest at approximate market rates and normally have fixed repayment schedules.

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Investments are recorded at cost less adjustments for concessionary assistance and any prolonged impairment in value. Concessionary assistance consists of subsidies provided by the province and is recognized as an expense at the date of issuance of the investment. Any write-down of an investment to reflect a loss in value is not reversed if there is a subsequent increase in value.

Liabilities

Bank Advances and Short-term Borrowings have initial maturities of one year or less and are recorded at cost that approximates market value. Short-term Borrowings had a weighted average interest rate of 0.23 per cent at year-end on Canadian dollar borrowings.

Unmatured Debt consists of debentures and various loans in Canadian and foreign currencies and capital leases. Debt is recorded at par, net of sinking funds (including public debt management funds).

Hedge accounting is used when financial instruments form a hedging relationship, the relationship is highly effective and it is considered to be consistent with the province's financial risk management goals.

Sinking Fund and Public Debt Retirement Fund investments are recorded at cost and consist primarily of debentures of the Province of Nova Scotia, other provincial governments and the Government of Canada. Premiums and discounts on sinking funds are deferred and amortized over the life of the investment. Amortization and realized gains and losses for premiums and discounts relating to sinking fund balances and installments are netted against sinking fund earnings.

Unamortized Foreign Exchange Translation Gains and Losses result when debentures payable in foreign currencies, and sinking funds invested in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at March 31 and upon entering into derivative contracts. Foreign exchange gains and losses on the translation of foreign currency are amortized on a straight-line basis over the remaining term of the related monetary item.

Premiums and discounts, as well as underwriting commissions relating to the issuance of debentures, are deferred and amortized over the term of the related debt. Amortization and realized foreign exchange gains and losses, premiums and discounts relating to debt balances, serial retirements, sinking fund balances and installments are charged to debt servicing costs except as noted above.

Pension, Retirement and Other Obligations include various employee future benefit plans. Pension liabilities for defined benefit plans are calculated using the projected benefit actuarial method using accounting assumptions that reflect the province's best estimates of performance over the long-term. The projected benefit actuarial method attributes the estimated cost of retirement benefits to the periods of employee service. The net pension liability represents accrued pension benefits less the market related value of pension assets (if applicable) and the balance of unamortized experience gains and losses. The market related values are determined in a rational and systematic manner so as to recognize asset market value gains and losses over a five-year period. The pension benefit plan for the majority of health sector employees is offered by a multi-employer plan administrator and is not sponsored by the province. Employer contributions to this plan are expensed in the period paid. The accrued benefit asset (liability) of this plan is not recognized in these financial statements.



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Net Direct Debt

Net Direct Debt represents the direct liabilities of the province less financial assets and unamortized foreign exchange translation gains and losses and premiums and discounts on outstanding debenture issues.

Non-Financial Assets

Tangible Capital Assets have useful lives extending beyond the accounting period, are held for use in the production and supply of goods and services and are not intended for sale in the ordinary course of operations. Tangible capital assets are recorded at gross historical cost (or estimated cost when the actual cost is unknown) and include all costs directly attributable to the acquisition, construction, development and installation of the tangible capital asset, except interest. Tangible Capital Assets include land, buildings, major equipment and software, vehicles, ferries, roads, highways, and bridges. Tangible capital assets do not include intangibles or assets acquired by right, such as forests, water and mineral resources or works of art and historical treasures. Tangible capital assets are amortized to expense over the useful lives of the assets. The amortization methods and rates selected by entities other than the Consolidated Fund are not adjusted to the methods and rates used by the Consolidated Fund.

Inventories of Supplies are held for consumption or use by the province in the course of its operations. All entities record inventory at the lower of cost and net realizable value.

Prepaid Expenses are cash disbursements for goods or services, other than Tangible Capital Assets and Inventories of Supplies, of which some or all will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

Accumulated Deficits

Accumulated Deficits represent the direct liabilities of the province less financial assets, non-financial assets and unamortized foreign exchange translation gains and losses and premiums and discounts on outstanding debenture issues. This represents the accumulated balance of net surpluses/deficits arising from the operations of the province.

d) Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recorded in the financial statements is known as measurement uncertainty. Uncertainty exists whenever estimates are used because it is reasonably possible that there could be a material difference between the recognized amount and another reasonably possible amount.

Measurement uncertainty exists in these financial statements in the accruals for such items as pension, retirement and other obligations, environmental remediation obligations, federal, and provincial source revenues. The nature of the uncertainty in the accruals for pension, retirement and other obligations arises because actual results may differ significantly from the province's various assumptions about plan members and economic conditions in the marketplace. Uncertainty exists for environmental remediation obligations because the actual extent of remediation activities required may differ significantly based on the actual extent of site contamination and the chosen remediation process. Uncertainty related to Sales and Income Taxes, petroleum royalties, CHT and CST arises because of the possible differences between the estimated and actual economic growth and other assumptions used in statistical models to accrue these revenues.

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2. Accounting Changes

Accounting changes were made during the year that have increased or decreased the Provincial Surplus (Deficit), Net Direct Debt, and Accumulated Deficits as follows:

(\$ millions)	2010			2009		
	Provincial	Net Direct Debt	Accumulated Deficits	Provincial	Net Direct Debt	Accumulated Deficits
	Deficit	April 1, 2009	April 1, 2009	Surplus	April 1, 2008	April 1, 2008
Pensions	(3.6)	(6.3)	(6.3)	6.3	—	—
GUs previously not consolidated	—	1.0	—	—	1.3	—
	(3.6)	(5.3)	(6.3)	6.3	1.3	—

Nova Scotia School Board Association Pension Plan

A review of the financial statements of the Nova Scotia School Boards Association (NSSBA) indicated the NSSBA has a pension plan which provides pension benefits for the non-teaching employees of participating Nova Scotia School Boards and the Association's employees.

As these entities are governmental units and are part of the government reporting entity and the impact of this plan was not included in the financial statements of those entities, the impact of the plan has been included in the Province's financial statements using pension accounting.

Governmental Units Previously Not Consolidated

Due to materiality, certain smaller governmental units (GUs) were previously accounted for on an equity basis. These units are now being fully consolidated on a line-by-line basis. This change was recorded retroactively and the impacts are shown in the table above.

3. Restricted Cash and Short-Term Investments

As at March 31, 2010 restricted cash and short-term investments of \$97.1 million (2009 - \$90.2 million) have been designated for restricted purposes by parties external to the province. Restricted cash includes \$54.4 million for future housing expenditures from the Nova Scotia Housing Development Corporation; \$27.6 million from Capital District Health Authority for the Centre for Clinical Research and other purposes; \$7.4 million for gas market development from the Nova Scotia Market Development Initiative; and \$7.7 million for various other purposes.



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4. Deferred Revenue

Receipts are recorded as deferred revenue if they are restricted by external parties for a stated purpose, such as a specific program or the purchase of tangible capital assets. Deferred revenue is recognized into revenue over time as the recognition criteria are achieved or is drawn down to reimburse third parties as conditions are met. The balance includes the following components:

(\$ thousands)

	2010	2009 (as restated)
Offshore Accord	361,285	541,357
C-52 Federal Trust Agreements	16,764	62,685
Office of Immigration's - Nova Scotia Nominee Program (funds held in segregated account)	28,143	42,720
C-48 Federal Trust Agreements	538	9,954
Nova Scotia Housing Development Corporation's Social Housing Agreement	54,385	48,809
Early Learning Child Care Funds	33,534	38,594
Capital District Health Authority's Capital and Research Funds	30,487	27,229
Nova Scotia Gas Tax Agreement on Municipal Funding	41,643	36,098
Labour Market Agreement	10,488	2,352
C-41 Community Development Trust	16,533	25,874
Nova Scotia Market Development Initiative Fund	9,424	11,719
Resource Recovery Fund Board Inc.'s Unearned Revenue from Container Deposits, Paint Levies and Tire Deposits	14,002	13,320
Other	51,851	61,644
Total Deferred Revenue	669,077	922,355

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5. Derivative Financial Instruments

The province is a party to financial instruments with off-balance sheet risk, either to hedge against the risks associated with fluctuations in foreign currency exchange rates or to manage risks associated with interest rate fluctuations. Interest rate contracts include swap agreements and options on swaps. These contracts are used to vary the amounts and periods for which interest rates on borrowing are fixed or floating. Foreign exchange contracts include swap agreements that are used to convert the liability for foreign currency borrowing and associated costs into Canadian dollars.

The province's credit policy is that it only executes derivative transactions with well rated counterparties. All current counterparties are rated equal to or better than the Province.

As at March 31, 2010, the province has executed 92 interest rate swap contracts to convert certain interest payments from a fixed to floating, from floating to fixed, floating to floating or fixed to fixed basis. These swaps have terms remaining of 1 day to 21 years, a notional principal value of \$1.6 billion and a mark to market¹ value of \$16.7 million.

The province has executed foreign currency swap contracts to convert its foreign denominated debt into Canadian denominated debt as follows:

Termination Date	Original Currency	Original Principal (thousands)	Current Currency	Current Principal (thousands)	Mark to Market ¹ (thousands)
October 28, 2011	UK£	23,250	CDN\$	56,283	(25,600)
April 16, 2019	UK£	60,000	CDN\$	114,387	(34,500)
Total	UK£	83,250	CDN\$	170,670	(60,100)
February 27, 2012	US\$	500,000	CDN\$	795,000	(246,700)
July 27, 2013	US\$	300,000	CDN\$	299,850	7,600
March 15, 2016	US\$	150,000	CDN\$	205,725	(45,800)
January 26, 2017	US\$	500,000	CDN\$	586,500	(11,700)
February 1, 2019	US\$	200,000	CDN\$	198,000	7,900
July 1, 2019	US\$	200,000	CDN\$	199,900	4,700
November 15, 2019	US\$	244,000	CDN\$	246,318	3,000
March 1, 2020	US\$	300,000	CDN\$	409,200	(118,800)
May 1, 2021	US\$	300,000	CDN\$	312,002	(7,000)
April 1, 2022	US\$	300,000	CDN\$	379,517	(78,500)
July 30, 2022	US\$	300,000	CDN\$	329,310	(24,100)
Total	US\$	3,294,000	CDN\$	3,961,322	(509,400)

¹ Mark to Market is an indication of the swap's market value as at March 31, 2010. This represents the estimated realizable gain (loss) and is equivalent to the present value of future interest and/or currency savings (losses) based on market conditions as at March 31, 2010.



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6. Federal Equalization Repayable Loan

The province received an equalization repayable loan from the federal government in March 2005 in the amount of \$120.3 million. The loan bears no interest and is being repaid over 10 years, with bi-monthly deductions of \$0.5 million to commence in April 2006. As of March 31, 2010 the balance of the loan is \$72.2 million (2009 - \$84.2 million).

7. Pension, Retirement and Other Obligations

a) Description of Obligations

The province offers a variety of pension, other retirement, post-employment and special termination benefits. The province is responsible for adequately funding most of the plans. Except as otherwise noted, the cost of benefits are recognized in the periods the employee provides service. For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the province to pay benefits occurs. The significant plans are detailed as follows:

Pension Benefit Plans

The province sponsors two funded pension plans, the Public Service Superannuation Plan (PSSP) and the Nova Scotia Teachers' Pension Plan (TPP). Both plans are defined benefit plans with plan assets primarily composed of Canadian and foreign equities, government and corporate bonds, debentures, secured mortgages and real estate. The plans are jointly funded with contributions from employees being matched by the province. Benefits paid upon retirement are based on an employee's length of service, rate of pay and inflation adjustments.

On April 1, 2006, the Minister of Finance transferred responsibility for the governance of the Nova Scotia Teachers' Pension Fund to the Teachers' Pension Plan Trustee Inc., (TPPTI). The TPPTI is a body corporate comprised of nine board members – four nominated by the Nova Scotia Teachers' Union, four nominated by the province and one Chair agreed to by both parties. As a result of this transfer, the province and Union agreed to share all surpluses and deficits of the plan equally. The province accounts for one-half of all components of the accrued benefit liability associated with the plan in its financial statements. In addition, the province recognizes one-half of components associated with the net benefit expense (recovery) associated with this plan. As of March 31, 2010, the total accrued benefit liability associated with the plan was \$121.7 million.

The province has several unfunded defined pension plans. The majority of these plans do not require contributions from employees. Benefits paid upon retirement are based on an employee's length of service, rate of pay and inflation adjustments.

Employees in the health sector are members of a multi-employer defined benefit pension plan. As the province does not sponsor this plan, the annual net benefit plan expense is the amount of required contributions provided for employees' services rendered during the year. The accrued benefit asset (liability) of this plan is not recognized in these financial statements. The most recent actuarial valuation was performed on July 1, 2008 and extrapolated to December 31, 2008 which indicated a funding deficit of \$123.3 million.

Other Retirement Benefit Plans

The province sponsors two other retirement benefit plans: retirement allowances and retirement health plan benefits. These plans are not funded. Benefits paid upon retirement for retirement allowances are based on an employee's length of service and rate of pay. Retirement health plan benefits vary depending on the collective agreements negotiated with each group. The province pays 65 per cent and 100 per cent of the cost of retirement health plan benefits for the PSSP and TPP retirees respectively.

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Post-Employment Benefits

The province offers two significant post-employment benefit plans: Self Insured Workers' Compensation and Long-Term Disability. The amount recorded in these financial statements represents the actual amount of benefits paid during the year plus the actuarial estimate of future payments, based on claims ongoing at year-end. For the Long-Term Disability plan, the obligation is offset by the market related value of plan assets.

Special Termination Benefits

The province has offered early retirement incentive programs to members of the PSSP and TPP at various times commencing in 1986 and 1994 respectively. Qualified members were offered additional years of pensionable service if they elected to retire. The cost of these benefits was accrued in the year the employee accepted the early retirement option.

b) Summary of Activity in Defined Benefit Plans

Accrued Benefit Liability
(\$ thousands)

	2010	2009
Pension Benefit Plans	558,666	423,384
Other Benefit Plans	1,408,810	1,359,343
Total Accrued Benefit Liability	1,967,476	1,782,727

Activity During the Year
(\$ thousands)

	Pension Benefit Plans		Other Benefit Plans	
	2010	2009	2010	2009
Projected benefit obligation, beginning of year	7,623,059	7,315,823	1,390,338	1,394,049
Current benefit cost	211,708	194,797	69,744	64,147
Interest cost	526,055	504,269	67,613	68,861
Actuarial (gains) losses	93,477	14,670	27,144	(69,628)
Benefit payments	(436,467)	(414,329)	(84,358)	(81,287)
Other	7,698	7,829	2,044	(1,520)
Plan amendments	—	—	3,908	15,716
Projected benefit obligation, end of year	8,025,530	7,623,059	1,476,433	1,390,338
Market related value of plan assets,				
beginning of year	6,096,055	6,151,049	92,993	80,583
Expected return on plan assets	427,416	430,994	5,978	5,362
Actuarial gains (losses)	(193,960)	(321,569)	(2,617)	(3,755)
Benefit payments	(436,467)	(414,329)	(84,358)	(81,287)
Other	7,697	7,829	(364)	(397)
Employer contributions	149,723	135,279	82,153	81,482
Employee contributions	125,194	106,802	9,134	11,005
Market related value of plan assets, end of year	6,175,658	6,096,055	102,919	92,993
Funded status, end of year	(1,849,872)	(1,527,004)	(1,373,514)	(1,297,345)
Unamortized net actuarial (gains) losses	1,291,206	1,103,620	(11,813)	(46,037)
Valuation Allowance	—	—	(23,483)	(15,961)
Accrued benefit liability, end of year	(558,666)	(423,384)	(1,408,810)	(1,359,343)



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c) Actuarial Assumptions

The table below shows significant weighted-average assumptions used to measure pension and other benefit plan obligations.

	Pension Benefits		Other Benefits	
	2010	2009	2010	2009
Long-term inflation rates	2.5%	2.5%	2.5%	2.5%
Expected real rate of return on plan assets	4.5%	4.5%	—	—
Rate of compensation increase	2.75% to 5.5% + merit	2.75% to 5.5% + merit	2.75% to 4.95% + merit	2.75% to 4.95% + merit
Discount Rate – Main plans	7.11%	7.11%	4.75%	4.95%
Other	—	—	6.35%	4.95% to 6.7%

Other assumptions used were:

6.5 per cent annual rate increase in the cost per person of covered healthcare benefits for 2009, decreasing at 0.25 per cent per annum to an ultimate rate of 4.5 per cent per annum.

11 per cent annual rate increase in the cost per person of covered prescription drugs for 2009, decreasing at 1 per cent per annum to an ultimate rate of 4.5 per cent per annum.

Actuarial assumptions are reviewed and assessed on a regular basis to ensure that the accounting assumptions take into account various changing conditions and reflect the province's best estimate of performance over the long-term.

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d) Other Disclosure

The net unamortized actuarial gains (losses) are amortized on a straight-line basis over the expected average remaining service life (EARSL) of the related employee groups ranging from 4 years to 17 years (weighted-average EARSL is 14 years).

During the year, the weighted average actual rate of return on plan assets was 22.0 per cent (2009 - (17.6) per cent). The total market value of plan assets is \$7.6 billion (2009 - \$6.5 billion) at March 31, 2010.

The most recent actuarial valuations performed for most of the benefit plans was at December 31, 2008 with the exception of certain other retirement benefit plans that were performed on March 31, 2007 and the post-employment benefit plans that are performed annually at March 31.

e) Net Benefit Plans Expense (Recovery)

The table below shows the components of the net benefit plans expense (recovery).

(\$ thousands)

	Pension Benefits		Other Benefits	
	2010	2009	2010	2009
Current benefit cost	211,708	194,797	69,744	64,147
Employee contributions	(125,703)	(107,323)	(9,151)	(11,025)
Employer contributions*	35,440	31,028	—	—
Plan amendments	—	—	3,908	15,716
Amortization of net actuarial (gains) losses	99,851	72,407	(3,438)	410
Recognition of actuarial losses on plan amendment	—	—	(1,024)	—
Other	(4)	18	2,636	2,152
Increase in valuation allowance	—	(3,032)	7,522	15,523
Interest cost	526,055	504,269	67,613	68,861
Expected return on plan assets	(427,416)	(430,994)	(5,978)	(5,362)
Employer contributions to multi-employer plan	84,027	73,438	—	—
Net benefit plans expense (recovery)	403,958	334,608	131,832	150,422

* This represents one-half of the employer contributions made by PNS to the TPP. Included in the figures above for 2010 and 2009, are one-half of all transactions associated with TPP to reflect the province's share of this plan under joint trusteeship.



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8. Trust Funds Under Administration

Trust fund assets solely administered by the province (before giving consideration to actuarial adjustments) are:

(\$ thousands)

	2010	2009 (as restated)
Public Service Superannuation Fund (1)	3,444,323	2,897,604
Sydney Steel Corporation Superannuation Plan (1), (2)	20	50
Nova Scotia Public Service Long Term Disability Plan (1), (4)	92,273	74,910
Nova Scotia Credit Union Deposit Insurance Corporation(4)	17,698	16,438
Public Trustee (1)	49,864	40,416
Miscellaneous Trusts (3)	35,332	32,063
Total Trust Funds Under Administration	3,639,510	3,061,481

- (1) See Public Accounts Volume 2 for full financial statements of these funds.
- (2) Administration of the assets of Sydney Steel Corporation Superannuation Fund was assumed during fiscal 2001.
- (3) Miscellaneous trusts include a large number of relatively small funds.
- (4) These represent trusts with December 31 year ends. Trust asset balances at March 31 did not differ significantly.

Other

The Province is no longer the sole trustee administering the Nova Scotia Teachers' Pension Fund (the Fund). The Nova Scotia Teachers' Union and the Province of Nova Scotia agreed to a joint trusteeship of the Fund effective April 1, 2006. Under joint trusteeship the Trustee of the Fund is the Teachers' Pension Plan Trustee Inc., of which the province has 4 of 9 members. The Trustee is responsible for administration of the Plan and investment management of plan assets. Total net assets available for benefits as at December 31, 2009 were \$4.0 billion (2010 - \$3.7 billion).

9. Expenses by Object

(\$ thousands)

	2010	2009 (as restated)
Grant and Subsidies	3,149,426	3,059,448
Salaries and Employee Benefits	3,418,408	3,203,486
Operating Goods and Services	1,406,816	1,395,361
Professional Services	296,127	269,807
Amortization	312,578	280,864
Debt Servicing Costs	880,147	887,490
Other	48,087	73,312
Total Expenses by Object	9,511,589	9,169,768

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10. Debt Servicing Costs

(\$ thousands)

	2010	2009 (as restated)
CDN\$ Denominated Debt	685,676	701,801
Pension, Retirement and Other Obligations	160,274	136,774
Capital Leases	20,989	22,957
Other Debt	42,610	45,947
Premium / Discount Amortization	(4,685)	1,295
Foreign Exchange	(25,931)	(22,393)
Miscellaneous	1,214	1,109
Total Debt Servicing Costs	880,147	887,490

Debt servicing costs for Government Business Enterprises were \$12.3 million for the year ended March 31, 2010 (\$13.6 million for the year ended March 31, 2009).

11. Cash-Flow – Net Change in Other Items

(\$ thousands)

	2010	2009 (as restated)
Change in Receivables from Government Business Enterprises	(824)	(9,323)
Change in Receivables and Advances	(70,901)	279,143
Change in Accounts Payable and Other Short-term Borrowings	(66,383)	(509,957)
Change in Inventory for Resale	27	610
Change in Inventory of Supplies	(5,926)	(4,473)
Change in Prepaid Expenses	(128)	(4,657)
Change in Deferred Revenue	(253,278)	(131,927)
Change in Accrued Interest	(7,734)	17,313
Change in Pension, Retirement and Other Obligations	184,749	162,022
Total Net Change in Other Items	(220,398)	(201,249)



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1 . Contingencies and Contractual Obligations

a) Contingent Liabilities

Environmental Sites

Various provincially owned sites throughout the province are considered environmental or contaminated sites. Studies are ongoing to assess the nature and extent of damage to develop remediation plans. Provisions for these costs are recorded in these financial statements when it is determined a liability exists and a reasonable estimate of the remediation costs can be made. With the exception of remediation costs noted in the following paragraphs, no further provisions have been recognized in these financial statements.

Engineering and environmental studies have generated estimates for the cost of remediation of the Sydney Steel Corporation (Sysco) and adjacent sites as well as the Sydney Tar Ponds site. As a result, the province recorded liabilities totaling \$318.5 million in 2000 for environmental site clean up. At March 31, 2010, \$134.3 million (2009 - \$179.0 million) remains unspent. The provision will continue to be utilized for future decommissioning, demolition and remediation of Sysco's and adjacent sites, including the Sydney Tar Ponds site. Based on currently available information, the provision, in aggregate, appears to be sufficient to cover the estimated costs to remediate these sites.

Other remediation liabilities amounting to \$12.8 million (2009 - \$12.5 million) have been recognized in these financial statements.

Lawsuits

The province's losses for any lawsuits pending cannot be determined due to uncertainty of the trial outcomes.

Other Contingent Liabilities

The province also has contingent liabilities in the form of indemnities. The province's potential liability, if any, cannot be determined at this time.

b) Contingent Gains

The Province of Nova Scotia may receive funds in the future from recoveries of various types of claims paid out and other agreements pending the occurrence of certain events. Recoveries are recorded in the year the contingent events occur.

Province of Nova Scotia

Notes to the Consolidated Financial Statements

As at March 31, 2010

c) Contractual Obligations

Contractual Obligations

As at March 31, 2010, the province had contractual obligations as follows:

(\$ thousands)

Fiscal Year	Governmental Units	Government Business Enterprises	Total Contractual Obligations
2011	503,772	2,717	506,489
2012	404,257	2,617	406,874
2013	355,800	2,292	358,092
2014	332,639	2,157	334,796
2015	330,516	2,285	332,801
2016-2020	1,443,855	—	1,443,855
2021-2025	900,775	—	900,775
2026-2030	941,372	—	941,372
2031 & thereafter	1,173,278	—	1,173,278
	6,386,264	12,068	6,398,332

These contractual obligations are comprised of \$6,147.9 million for the Consolidated Fund, \$238.3 million for other Governmental Units and \$12.1 million for Government Business Enterprises. Included are contractual obligations of \$113.7 million by Nova Scotia Business Incorporated for projects approved under its various programs, \$282.3 million by the Department of Education for P3 school maintenance agreements, \$950.6 million by the Department of Health for the management of the ground ambulance fleet, and \$4,449.6 million by the Department of Health for service agreements with long-term care facilities.

In addition to the contractual obligations noted above, in 1992 the Department of Justice entered into a 20-year contract with the RCMP for policing services, including services paid by the municipalities under the Service Exchange Agreement. Costs are negotiated each year based on required policing services. The net estimated expense for the province for 2011 is \$32.7 million.



Province of Nova Scotia
Notes to the Consolidated Financial Statement
As at March 31, 2010

Leases

As at March 31, 2010, the province was contractually obligated under various operating leases. Future minimum annual lease payments are as follows:

(\$ thousands)

Fiscal Year	Governmental Units	Government Business Enterprises	Total Lease Payments
2011	59,874	9,228	69,102
2012	52,115	8,390	60,505
2013	44,132	7,837	51,969
2014	35,613	7,748	43,361
2015	27,030	7,001	34,031
2016-2020	36,569	—	36,569
2021-2025	9,874	—	9,874
2026-2030	8,194	—	8,194
2031 & thereafter	118	—	118
	273,519	40,204	313,723

13. Subsequent Events

On May 11, 2010, the *Financial Measures (2010) Act* received Royal Assent. Contained in this Act were changes to the *Public Service Superannuation Act*, whereby future indexing of pensions payable will be contingent on the funding level of the Nova Scotia Public Service Superannuation Fund, as well as subject to the approval of the Trustee. Based on an actuarial funding valuation to be calculated as at December 31, 2010, the province has agreed to make a one-time lump-sum payment into the Fund for any deficiency.

On May 11, 2010 the *Finance Act* received Royal Assent. The *Finance Act* comes into effect on August 1, 2010 and will replace the *Provincial Finance Act*. The new Act reflects updated language with respect to current accounting policies, and better describes the present provincial organization and how its business is conducted.

14. Comparative Figures

Certain of the prior year's numbers have been restated to conform to the presentation format adopted in the current year.

15. Related Party Transactions

Included in these consolidated financial statements are immaterial transactions with various provincial crown corporations, agencies, boards and commissions. Significant related party transactions have been offset and eliminated for purposes of consolidated reporting. Parties are deemed to be related to the Consolidated Fund due to common control or ownership by the Province of Nova Scotia.

The most significant unadjusted related party transactions are described in Schedule 6 – Government Business Enterprises.



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